Austria	Sch30	Indonesia	Rp3500	Pakistan	Rs35
Bahrain	Din1.250	Iran	Rls210	Philippines	Pes45
Belgium	BFr60	Israel	Shk6.50	Poland	Zl 16,000
Cyprus	C£1.00	Italy	L2500	Portugal	Es180
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr14	Korea	Won 2500	S.Arabia	SR9.00
Egypt	E£4.50	Kuwait	Fils.600	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,250	Spain	Pta200
France	FFr8.50	Lux	LFr60	Sweden	SKr14
Germany	DM3.30	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft182	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr170	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,662

Monday January 20 1992

Φ D 8523A

FRANCE

Tough new laws on sexual harassment

Page 7

World News

Algeria calls home envoys from Paris and Tehran

Algeria has recalled its ambassadors from Iran and France, its biggest trading partner, in reaction to criticism of last week's coup.

The move came at a weekend in which gunmen killed an Algerian soldier and wounded two policemen. The attack was the first on the security forces since the authorities cancelled elections expected to sweep the Islamic Salvation Front to power. Page 4

Rulers confident

Georgia's ruling military council said it was closing in on ousted president Zviad Gamsakhurdia and had taken control of an important town in the west of the country. Page 4

Developer charged

Leading French property developer Christian Pellerin has been charged with financial irregularities. He is the sixth person to be charged over big commissions paid during the purchase and resale of an office block in La Défense, Paris. Page 3

South Africa arrests

South African police have arrested 10 whites in connection with bombings at government buildings and racially integrated schools.

Burmese border patrol

Burma has deployed more than 75,000 troops on its border with Bangladesh and intensified persecution of Moslems, Bangladeshi defence sources said.

Zhelev wins in Bulgaria

Reformist Zhelyu Zhelev won Bulgaria's first presidential election, according to unofficial results, ending communist hopes of clinging to a slice of power. Page 2

Appeal to kidnappers

Pope John Paul appealed to kidnappers to free the seven-year-old son of a Belgian Arab businessman. Farouk Kassas was seized last Wednesday on the island of Sardinia.

Neo-Nazis held

Austrian police arrested four neo-Nazis in connection with a petrol bomb attack which damaged a home for foreign refugees. Rightwing parties plan push for power, Page 2

Death sentence upheld

Cuba's Council of State upheld a death sentence on an infiltrator from Miami. Diaz Betancourt, 38, was one of three exiles caught last month with arms and explosives.

Wandering the outback

Nine Asian boat people were still missing in the sweltering north-west Australian outback 18 days after coming ashore on a remote beach. Their boat was believed to have sailed from southern China.

US professor shot

A US professor, Albert Bloch, was shot dead at a Palestinian university in the Israeli-occupied West Bank.

Ulster statement

Northern Ireland secretary Peter Brooke is to make a statement to British parliamentarians today about the IRA's murder of seven Protestant workmen in County Tyrone at the weekend. Page 5

Zimbabwe land warning

Commercial farmers in Zimbabwe will have no right of appeal to the High Court over compulsory land acquisitions by the government. Draft legislation provides for a committee to decide how much compensation to pay. Page 4

Dutch cocaine haul

Dutch police found 1,760 lbs of cocaine hidden in a cargo of lead ingots at a Rotterdam warehouse.

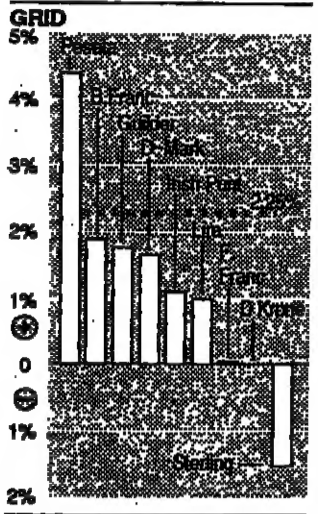
Business Summary

Russia may flood world aluminium market

Russia's need for hard currency will drive it to maximise aluminium exports this year, adding to turmoil in the depressed world industry. Russia hopes to sell 1m tons, the same as last year when a flood of Russian aluminium caused extensive production cuts in the west and drove prices to their lowest-ever level in real terms. Page 12

EUROPEAN Monetary System: Pressure on sterling eased somewhat during the week as the D-Mark weakened, although the pound remained the weakest currency in the system. The peseta retained its position as the strongest unit. Currencies, Page 23

EMS January 17, 1992



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

MAXWELL Foundation, based in Liechtenstein, said it was eager to co-operate with investigations into the disappearance of £1.3bn from public companies controlled by the late Robert Maxwell, so far as was compatible with Liechtenstein law. Page 13

UNITED AIRLINES, one of the three largest US carriers, warns that its fourth quarter will show the "largest quarterly loss in the company's history", substantially more than the previous largest net loss of $157m. Page 13

TURKEY is seeking to use tax incentives and subsidised bank credit to boost investment and revitalise the economy. Budget proposals envisage growth of 5.5 per cent in 1992, while inflation is to be reduced from its current 70 per cent to 42 per cent. Page 4

MICROSOFT'S second quarter net income soared to $175m, against $138m in the corresponding period a year ago. Page 15

EUROPEAN Community aid to its four poorest members – Spain, Portugal, Ireland and Greece – would double over the next five years under budget proposals broadly agreed by the EC. Page 3

FRAUD: European companies are shipping goods to Nigeria for which they will never be paid because of an elaborate fraud involving counterfeit banker's drafts and US letters of credit. Page 12

LYONNAISE des Eaux-Dumez, water distribution and construction group, estimates that net profits fell by up to 20 per cent to FFr1.13bn ($209m) last year, compared with FFr1.4bn in 1990.

SOUTH AFRICA is to launch its first Ecu Eurobond, possibly later this week. Page 15

EC unit planned to help avert Brussels 'own goals'

By David Gardner in Brussels

THE European Commission is planning to set up a unit to prevent Brussels scoring damaging "own goals" in an effort to smooth ratification of the treaty on European Union agreed at the Maastricht summit in December.

The unit will seek to ensure that Eurocrats do not produce measures of particular sensitivity in individual member states at moments when they might cause political rows that could disrupt ratification of the treaty. A senior Commission official said the ad hoc grouping would offer advice on the timing of EC measures without attempting to alter their substance.

A less structured attempt to anticipate controversy operated in the run-up to Maastricht itself. This was largely in response to UK sensitivities, after Mr Douglas Hurd, Britain's foreign secretary, lambasted Brussels for trying to "exert its influence in every nook and cranny of daily life".

The apparent spark for this row, amid much pre-summit posturing, was a letter to the UK government from Mr Carlo Ripa di Meana, EC environment commissioner. This sought to delay work on seven big construction projects until an environmental impact assessment had been completed and publicly disseminated, as required by EC law.

Senior Commission officials confirm that a range of sensitive measures were then taken off the Brussels agenda until after the summit. These included the decision to prosecute the UK for the England and Wales Milk Marketing Board's attempts to extend its monopoly over the purchase of liquid milk, finally taken just before Christmas.

Plans to extend environmental impact assessment requirements from individual projects to national policies, and a green paper on the liberalisation of postal services, were held over until later this month.

Mr Ripa di Meana acknowledges "that anguish was felt here before Maastricht", adding that "I have to recognise that there are tactical moments when a slackening is requested." He said he was not aware of any new monitoring unit, but reasoned that the pressures on his office not to rock the boat were sufficiently constant that he would not necessarily notice.

He repeated his remark he made during the pre-Maastricht controversy, that "either you're a troublemaker or you're useless as an environment commissioner".

The current Portuguese presidency of the EC has scheduled the formal signing of the political, economic and monetary union treaty for February 7. Even if this deadline is met, ratification then requires the assent of 12 parliaments, and a referendum in Ireland and Denmark.

Government buckles under strain of competing aims

Israel's coalition falls as two parties resign

By Hugh Carnegy in Jerusalem

ISRAEL'S hardline coalition collapsed yesterday, buckling under the strain of its competing aims of entrenching Jewish control over the occupied territories and pursuing peace talks with the Arabs.

The 20-month government of Mr Yitzhak Shamir, prime minister, will formally lose its parliamentary majority tomorrow when yesterday's resignations by two extreme rightwing parties, Tehiya and Moledet, take legal effect. Intense parliamentary manoeuvring, which began last week when the coalition's impending demise became clear, is under way to determine the government's official end.

A general election is widely predicted in May or June, before the scheduled date in November, following a no-confidence vote or an agreement between the main parties on the dissolution of the Knesset.

The coalition of right-wing and religious parties, led by Mr Shamir's Likud party, took office in mid-1990 following the fall of a previous coalition between Likud and the Labour party. As in 1990, the coalition collapsed because of deep divisions over Middle East peace policy. Tehiya and Moledet quit because they objected to Likud's willingness to offer a limited form of self-government to the Palestinians in the US-backed talks.

Tehiya and Moledet – the latter espouses the "transfer" of Palestinians out of the occupied territories to render the lands totally Jewish – oppose any self-rule in the West Bank

Continued on Page 12

Arab boycott threat, Page 4

Man in the news: Yitzhak Shamir returns home after the government crisis yesterday

Ukraine rejects officers' call for united army

By Leyla Boulton in Moscow and Chrystia Freeland in Kiev

Page 2

■ Hurd backs nuclear plan

■ Georgia rulers' vow

UKRAINE has brushed aside an appeal by officers of the former Soviet army not to break up the armed forces, saying it did not recognise the legitimacy of a conference held by 5,000 officers who voted for an indivisible force.

Mr Leonid Kravchuk, Ukraine's president, also reiterated his threat to leave the fledgling commonwealth of 11 former Soviet states if Marshal Yevgeny Shaposhnikov, the commonwealth commander in chief, tried to prevent Ukraine from pressing ahead with plans for its own army.

"If Marshal Shaposhnikov can change the decisions of the heads of state overnight, then that kind of commonwealth of independent states will find it very difficult to survive," he told reporters yesterday.

Commonwealth leaders last month agreed that Ukraine, Azerbaijan and Moldova should be allowed to create their own armies, while vaguely defined strategic forces would remain under unified command. However, the leaders did not work out a clear mechanism or timetable for altering the composition of the former Red Army to allow for republican armies.

Earlier, Mr Kravchuk was quoted by Interfax news agency as saying it was not "clear at all whom the delegates to the Moscow all-army conference represented, and by whom and on what legal basis they were elected". Delegates to Friday's conference voted unanimously for maintaining the unity of the world's largest army.

Marshal Shaposhnikov has said he hoped the message from the officers would push commonwealth leaders into solving "military issues more seriously, fruitfully and in a considered manner" when they meet in Minsk next month.

In an unprecedented foray into inter-republican politics, the officers' conference voted to send a delegation to the February 14 summit.

"[We] ... must compel the state leaders to listen to the officers and correct their previous decisions," air force delegate, Major A. Taranenko, told the military newspaper Krasnaya Zvezda (Red Star).

The conference has boosted attempts by Mr Boris Yeltsin, the Russian president, and other republican leaders, such as Kazakhstan's president Nursultan Nazarbayev, to retain a single commonwealth army.

But although it may discourage other republics such as Moldova and Azerbaijan from unilateral takeovers of the armed forces, the conference vote is unlikely to reverse steps already taken by Ukraine to set up its own army.

In a clear sign of Ukrainian determination, 99.4 per cent of servicemen of the Kiev military district on Saturday swore allegiance to the newly independent republic, followed by officers and soldiers from the Odessa and Carpathian districts, Tass reported.

Marshal Shaposhnikov said after the conference that while Ukraine was still determined to take over land forces on its territory, there was hope for a "constructive dialogue" on the future of the Black Sea Fleet.

Major hints early general election still an option

By Ivo Dawnay, Political Correspondent

UK retailers fail to achieve boost in sales ....Page 5

Economic notebook ....Page 13

MR JOHN MAJOR yesterday kept open the option of an early general election by signalling that the government was no longer awaiting a "feel good factor" among voters nor prepared to stimulate a "short-term, artificial boom" for electoral reasons.

The prime minister used a wide-ranging television interview to stress that the fall in the inflation rate and a rise in the number of job vacancies showed that conditions for a sustained recovery were in place, awaiting only a revival in consumer confidence.

He delivered another strong hint of a possible tax cut in the forthcoming Budget and specifically ruled out plans for an increase in value added tax.

Conceding that confidence was an "intangible factor", he said the slowdown in the world economy had "delayed the speed of recovery that we previously had imagined."

But Mr Major emphasised the government's prudent policies demonstrated its determination to hold down inflation and maintain stable exchange rates.

"To throw away the chance of actually putting all those essential bedrocks of a good economy in place would be absolute folly - and we won't do it," he told Mr David Frost in a confidently delivered 40-minute pre-recorded interview with TV-am.

"And if that means I have to argue in the general election [that] if we put things in place but every aspect of the feel-good factor isn't there, well, so be it."

Mr Major argued that increased public spending and tax cuts were compatible, repeating earlier hints that the Tories will take action to encourage a "capital owning" democracy.

In response, Mr Roy Hattersley, Labour's deputy leader, immediately led a series of opposition counter-attacks on Mr Major, stressing earlier Tory promises that an upturn was on the way.

"It is a terrible indictment that having hung on for 18 months hoping that the economy improves, he still has to go to the country without an economy improvement," he said.

Mr Major's comments came amid widespread expectation that Mr Norman Lamont, the chancellor, will announce the date of the Budget in Wednesday's debate on the Autumn Statement on public expenditure.

While Downing Street insists that March 3 remains an option, Treasury officials have indicated that March 10 and 17 are much more likely.

Continued on Page 12

CONTENTS

THE MONDAY INTERVIEW

Mr Yegor Gaidar is the man with the gargantuan task of reshaping the Russian economy. With production in freefall and hyperinflation looming, the deputy prime minister has little time to switch the country to a free-market system. Page 28

FORTHCOMING FT SURVEYS

The Citadel Mosque, Cairo.

EGYPT

Tomorrow's survey: see details, right.

■ TOMORROW:

Egypt: The nation's international standing is stronger than for several decades, but it still faces daunting economic and social problems.

■ JANUARY 23:

Cheshire: Focus on developments in the most southerly of Britain's "northern" counties.

■ JANUARY 30:

Saudi Arabia: It has not taken long for the kingdom to regain an air of calm after the Gulf war. Today, Saudi oil production has helped to bolster confidence in the economy and life has rapidly returned to normal.

Risk of civil war still 'quite real'

Georgia's rulers vow to crush ex-president

By Leyla Boulton in Moscow

GEORGIA'S ruling Military Council claimed at the weekend that it would easily crush an attempted comeback by the republic's ousted president, but the acting prime minister admitted that the risk of civil war was still "quite real".

Tass news agency said Mr Zviad Gamsakhurdia, the ex-president, was so desperate for weapons to arm his supporters that he had launched a raid on units of the former Soviet army.

Mr Tengiz Kitovani, one of the guerrilla leaders who helped chase Mr Gamsakhurdia out of Georgia before he returned last Thursday, said that the former leader still had popular support in the western town of Zugdidi – but only 300 armed men to challenge the council's rule.

Mr Tengiz Sigua, the acting prime minister, predicted that Mr Gamsakhurdia would be defeated within a week. He said the council controlled 90 per cent of Georgian territory, but there was still a "quite real" risk of civil war.

Undeterred by the challenge nonetheless, the Military Council, which seized power to end what it described as dictatorial rule by Mr Gamsakhurdia, has launched long-delayed market reforms. It has decreed the privatisation of trade and the service sector from February 1, and a start to handing land over to peasants for the rebirth of private agriculture.

Meanwhile, General Valery Patrikeyev, commander of the Transcaucasus district, which encompasses Georgia, Armenia and Azerbaijan, said at the weekend that relations with the Georgian leadership had much improved since Mr Gamsakhurdia's fall. He said the council had revoked an earlier parliamentary decision describing the former armed forces as an "occupation army", and armed raids on the Soviet army had significantly decreased.

But he said the armed forces would in no circumstances intervene to help the Military Council defeat Mr Gamsakhurdia. He said interference in the republic's politics would spell catastrophe – as it had in April 1988, when the army killed 88 people in a crackdown on pro-independence demonstrations in the capital Tbilisi.

Black Sea fleet becomes post-Soviet battleground

By Chrystia Freeland

AFTER more than two centuries of defending the Russian empire and the Soviet Union which succeeded it, the Black Sea fleet has itself become a battleground. From its Sebastopol headquarters, perched on the tip of the Crimean peninsula, the Black Sea fleet has become one of the most fiercely contested standards in the contest over the political shape of what was once the Soviet Union.

Ukraine's campaign to take over the fleet has sparked passionate resistance from Russian leaders and the Soviet Admiralty. Unlike the Baltic republics, which seek the withdrawal of the Soviet "occupation" army, Ukraine has moved steadily to transform the troops on its soil into a Ukrainian national army.

In Sebastopol much more is at stake than the Black Sea fleet's 90,000 personnel, 300 small ships, 45 warships, 28 submarines, and 159 aircraft. The fierce objections to the Ukrainian takeover are a rearguard effort to preserve some shadow of the Soviet Union by maintaining a united military and beefing up the authority of the Commonwealth.

Founded by Catherine the Great in the 18th century, the fleet is also a touchstone for Russian nationalism and a symbol of Russia's striving to become a world power. It is a proxy for the contested Crimean peninsula, which was only transferred to Ukraine in 1954 and which many Russians would like back.

Fleet press attaché Captain Andrei Graichov is bitter. "They took away our homeland and in its place they gave us an open economic zone," he said. "How can I take an oath to an individual republic? My mother is Ukrainian, my father is Russian: whose people should I serve?"

Captain Graichov's confusion echoes his commander's. Admiral Igor Kasatonov – an ethnic Russian who was only transferred to Ukraine last autumn – would not describe himself as a citizen either of Ukraine or Russia. Instead, he said he was a citizen of the Commonwealth, a classification which has no legal status.

Admiral Kasatonov argued that the fleet should not be divided, citing the need to counterbalance the US Sixth Fleet in the Mediterranean. But, while the commanders of the fleet make a point of taking their orders only from Moscow, a slim majority of officers seem to be swaying towards Kiev, as suggested by the fleet's 75 per cent endorsement of independence in Ukraine's referendum.

Sailing through the choppy Sebastopol harbour on a civilian ferry, Volodia, a captain who teaches at one of the city's famed naval academies, says there is a rift between the *vertushka*, or command, and the officer corps.

An ethnic Russian, Volodia says he is ready to swear allegiance to Ukraine. Like many of his comrades, he is concerned more about tensions than about politics and feels Ukraine promises greater material security.

The geopolitical and ideological struggle has now been thinly disguised as a quarrel over semantics. On January 12, Russia and Ukraine agreed "strategic forces" should be under central control, but the definition of these is hotly disputed. Western experts say the fleet currently carries no nuclear weapons but can be armed with tactical nuclear missiles now in storage.

Ukraine's endgame is to push the pace of disarmament – all tactical warheads are to be gone by July – and thus qualify for control of a greater part of the fleet.

Hurd backs Kiev plans to destroy nuclear weapons

By Chrystia Freeland

MR DOUGLAS HURD, the British foreign secretary, yesterday visited Ukraine to discuss the republic's efforts to move to a market economy and its plans to dismantle nuclear weapons on its territory.

Mr Hurd, who was in Kiev, the capital, between trips to Kazakhstan and Russia, arrived at a tense time: Ukraine's relations with other members of the Commonwealth of Independent States have been strained nearly to breaking point by a dispute over the division of the Soviet military. Although Mr Hurd said the issue was not raised in his discussions with the leadership, he said "it would be a pity" if Ukraine left the Commonwealth and urged it to follow the example of the European Community in resolving conflicts between member states through negotiation.

Hurd: conflicts should be resolved through talks

Over the weekend, in the Kazakh capital of Alma Ata, Mr Hurd received assurances from the republic's president that Kazakhstan would join the treaty on non-proliferation of nuclear weapons and intended to become a nuclear-free state. He received similar reassurances from Mr Leonid Kravchuk, the Ukrainian president, and Mr Konstantin Morozov, minister of defence.

Ukraine has been steadfast in its plans to dismantle nuclear weapons. Mr Hurd praised it for setting clear dates for the removal and destruction of all nuclear weapons on its soil and said Nato countries "will be willing to make what contributions will be necessary to the progress of dismantling nuclear weapons".

Mr Hurd also said he was "encouraged" by the manner in which Ukraine and other republics were negotiating the reduction of conventional forces.

On the economic front, Mr Hurd said Ukraine's application for full membership in the IMF was a priority and should serve as a cornerstone in the republic's efforts to move to a market economy.

● In Bonn, Chancellor Helmut Kohl said republics of the former Soviet Union would continue to receive western economic aid only if they convinced the west they were honouring international arms control agreements, Reuter reports.

In an interview published yesterday, Mr Kohl spelled out a link between aid for the CIS and assurances that agreements signed by former Soviet President Mikhail Gorbachev would be honoured.

A German neo-Nazi makes the Nazi salute during a demonstration in Bayreuth last year

Cresson takes legal action against Le Pen

By William Dawkins in Paris

MRS EDITH CRESSON, French prime minister, has taken legal action against Mr Jean-Marie Le Pen, leader of the extreme right-wing National Front, for allegedly insulting her government.

She has issued an official complaint over a speech in Brittany last week, in which Mr Le Pen called the Socialist administration "a pack of robbers, racketeers and gangsters". Mr Le Pen, who was referring to a police inquiry into Socialist party finances, said over the weekend he stuck by his words.

The government's action is believed to be the first of its type. It is based on a 111-year-old law outlawing slander against administrations, on pain of between six days and three months in prison plus a fine of FFr150 to FFr80,000 ($14,814)

Mrs Cresson's attack won support yesterday from some opposition politicians as well as from her own party. "She not only had the right to do it, but she was right to do it," said Mrs Monique Pelletier, a former government minister and member of the UDF centre-right grouping.

This is the latest skirmish in the political activity building up in France ahead of the March regional elections. The National Front is expected to come out as an important minority, while the respectable right is expected to hold on to its large majority in regional government.

The row comes just as the RPR and the UDF, the two main opposition parties, are making progress in their attempts to form an alliance for the presidential elections, due in 1995. Mr Valéry Giscard d'Estaing, UDF president, and Mr Jacques Chirac, RPR president, agreed at the weekend to speed work on forming a single party of the right.

However, they remained divided on the important issue of how to choose a single presidential candidate, for which post they are fierce rivals.

Right-wing parties plan push for power

David Marsh on European extremists' high hopes

EUROPE'S expanding far-right parties are preparing a springtime blitz to carry forward their assault on the bastions of political power. Elections in France, Germany and Italy in March and April seem likely to deliver fresh gains for the ultra-right, following successes in Austria, Switzerland and Belgium at the end of last year.

Support for radical parties in the prosperous half of Europe has been fed by problems caused by immigration, high unemployment and housing pressures, as well as by disillusionment with the established parties.

It is a social as well as a political malaise – and it looks unlikely to disappear quickly. "People are rebelling against a world which turns them into mere helpless consumers, and where immigration makes them feel strangers in their own land," according to Mr Michael Stürmer, head of the Stiftung Wissenschaft und Politik, the German government-backed think-tank.

The treaty for European union agreed at the Maastricht summit could in some cases give the right an additional boost when it goes to parliaments for ratification this year. The deal is likely to raise hackles among voters concerned about the effects of opening borders and diluting national decision-making.

The exact mix of issues behind increased right-wing strength varies between regions. In Italy, the Lega Lombarda (Lombard League), with its roots in the north, has now spread its organisation across the whole of the country under its energetic leader Mr Umberto Bossi. He suffered a heart attack before Christmas but is now back in action. The party looks set to garner a sizeable protest vote in Italy's general election in April – profiting above all from voters' exasperation with the established parties' squabbling.

Similar protests at bickering by traditional parties were the main reason – with immigration concerns – behind the surge in support for Vlaams Blok, the Flemish nationalist right-wing party, in Belgium's general election in November. In Switzerland and Austria, the radical right has also profited from dissatisfaction with the established government parties to deal with problems like immigration, housing, crime and inflation. The Swiss government recently voiced fears that the rising tide of protest voting could disrupt its efforts to join the EC in the mid-1990s.

In the Netherlands, another well-off country where right-wing resentment has bubbled to the surface, Mr Hans Janmaat, the member of parliament for the far-right Centre Democrats, cites the Vlaams Blok victory to justify confidence about his own party's prospects: "Our present support level is around 5 per cent, which would give us eight or nine seats in parliament."

Mr Janmaat has done his best to puncture satisfaction in the Dutch parliament about the results of the Maastricht summit, hitting out at "reckless" European integration which threatened to submerge Dutch national interests.

The Maastricht accord is looming particularly large in the strategies of right-wing parties in France and Germany. It is in these countries that potential for a right-wing backlash against the EC deal appears greatest. This could severely hamper the traditional role of the Paris and Bonn governments as sponsors of European integration.

In France, Mr Jean-Marie Le Pen, the former paratrooper who heads the National Front (FN), has been shrugging off attacks from Prime Minister Edith Cresson claiming he is an "enemy of democracy".

Opinion pollsters say he stands a good chance of winning the region of Provence-Alpes-Côte d'Azur for his party in the regional elections in March. The FN is fielding candidates in all 22 French regions. Victory for the FN on the Côte d'Azur, which would propel Mr Le Pen to the position of president of the regional council, would give him a prestigious new platform.

The FN is doing well in industrially depressed suburban areas north and west of Paris, and in southern towns, which can be highly exposed to immigration. Mr Le Pen has promised a vigorous campaign against the Maastricht deal, which he complains will lead to a European "super-state" signifying France's "political suicide".

Success on the French Riviera would increase the chances that the established parties on the right will adopt policies similar to Mr Le Pen's to prevent voters turning to the fringes. This could herald a tougher French line in defence of national sovereignty. Mr Alain Peyrefitte, the Gaullist former justice minister, warned pointedly at the end of last year that pressing on towards a "Europe without frontiers" could spark "aggressive nationalism" as a counter-reaction.

In Germany, the last few months have seen a spate of attacks on immigrants by far-right youths, as well as 1930s-style marches by neo-Nazi groups. The Bonn Interior Ministry registered 950 attacks against foreigners in October, 534 in November and 187 in December. As well as taking aim at the government's failure to lower the inflows of asylum-seekers into Germany, the far right have hit out strongly at the Maastricht accord. In particular, they have lambasted Chancellor Helmut Kohl's assent to monetary union later in the 1990s, which effectively delivers the death sentence for the D-Mark.

The neo-Nazi National Democrats (NPD), the xenophobic German People's party (DVU) and the slightly less extreme Republican party are separately fighting the state election in Germany in Schleswig-Holstein and Baden-Württemberg on April 5. Mr Bruno Wetzel, one of the DVU's top organisers, promises efforts to combat the abolition of the D-Mark and transfer of sovereignty abroad. "If you mix together strong currencies and weak ones, you give up stability."

After gaining six parliamentary seats in the northern state of Bremen in October, the DVU is confident of passing the 5 per cent hurdle necessary for parliamentary representation in Schleswig-Holstein. In Baden-Württemberg, Mr Günter Deckert, the NPD's national leader, says he believes the NPD together with the Republicans will comfortably exceed the 5 per cent score.

Mr Deckert, a schoolteacher sacked three years ago because of his right-wing tendencies, likes to spend his holidays at Worthing on England's south coast. But he has no great love of foreigners in his own country: the NPD campaigns to send them home, as well as to protect the environment and maintain the sanctity of the D-Mark.

Mr Deckert calls German unification simply "partial" because Germany has not yet won back its former territories in Poland. Somewhat ominously, he claims the NPD is picking up a significant amount of youthful support.

An intensified debate in Germany about the future of the D-Mark will almost automatically add to the NPD's following, Mr Deckert says. In a remark indicating the political problems which could ensue for Mr Kohl in the event of a full-scale German recession, the NPD leader adds: "Once there are anxieties about the economy, we gain support from middle-aged people, and not just the young."

Additional reporting by William Dawkins in Paris, Robert Graham in Rome, Andrew Hill in Brussels, Ronald van de Krol in Amsterdam and Christopher Parkes in Bonn.

Zhelev wins Bulgarian election

REFORMIST Zhelyu Zhelev won Bulgaria's first presidential election yesterday, according to unofficial results, ending communist hopes of clinging to a slice of power, Reuter reports from Sofia.

His victory consolidates power in the hands of the Union of Democratic Forces (UDF), which now controls the presidency as well as the government it formed after winning a general election last October. But the margin of victory was relatively narrow in both cases, reflecting the lingering appeal of communist-inspired policies in the Balkan country of 8.5m people.

According to unofficial results which the state news agency BTA said would be confirmed, Mr Zhelev was given about 54 per cent of the vote, edging out Mr Velko Valkanov, his rival backed by socialists (former communists) who got about 46 per cent.

Stolpe admits Stasi links

By Quentin Peel in Bonn

MR MANFRED STOLPE, the Social Democrat prime minister of the German state of Brandenburg, has admitted to more than 30 years of regular and extensive contacts with the Stasi, the former East German state security service – but he denied ever being an informer.

His explanation was published this weekend in the weekly magazine Der Spiegel, at a time when the opening of all the Stasi files from 40 years of Communist rule is leading to almost daily revelations of co-operation by prominent east German citizens.

His action brought both instant but isolated condemnation, including one call for his resignation, and widespread support from all parts of the political spectrum in the former East Germany.

Mr Stolpe, the most senior lay official in the Evangelical Church in his own province since 1982, co-founder of the reformed Social Democrats in the east, and probably the outstanding political figure to emerge in eastern public life since unification, defended his admission as an attempt to explain how life worked in the Communist state, not to protect himself against criticism.

He already admitted more than a year ago to regular contacts with the Stasi, dealing above all with aspects of church-state relations. The latest publication, an extended excerpt from a book to be published in March, spells out much more detail.

In his article he suggests that the collapse of the Soviet empire, and the rapid reintegration of East Germany into the west, have left the most "consistent anti-Communists, those who opted to wait and see, and those who went into hibernation" as the only victors of the process.

Yet the aim of his own contacts with the authorities, and of other honourable people like him, was "to outwit the Communist state through its own instruments of power".

Mr Stolpe's confession brought defences from fellow churchmen such as Pastor Rainer Eppelmann, now a leading member of the rival Christian Democrats, and senior figures in the SPD. Mr Eppelmann said Mr Stolpe's confession rang true: "There is no logical motive for [him to have been] an informer."

However the conservative Christian Social Union (CSU) in Bavaria, the sister party of Chancellor Helmut Kohl's Christian Democrats, called for his resignation.

Mr Stolpe's article coincided with a call from President Richard von Weizsäcker, the respected German head of state, for caution to be exercised in the use of the Stasi files. "We must learn to use them carefully and cautiously," he told the Berliner Morgenpost newspaper. "We are talking about the fate of human beings."

Serbs defy Croatia's authority

By Laura Silber in Belgrade

SERB leaders from Croatia declared yesterday that the newly independent state no longer had authority on their territory and promised that Serbs would not form part of an independent Croatian state. Mr Goran Hadzic, leader of the self-proclaimed Serb region in eastern Croatia, said: "Serbs from our region, at the price of our lives, will not remain in independent Croatia."

His remarks coincide with tensions in Bosnia-Hercegovina over plans for a referendum on independence there. President Alija Izetbegovic said parliament would approve the proposal this week. The federal military, with substantial munitions and air force industries in Bosnia, opposes the referendum.

Meanwhile, sporadic violations of the latest ceasefire were reported yesterday.

Draft budget would double aid to four countries over five years

Brussels targets poorest states

By David Gardner in Brussels

EUROPEAN Community aid to its four poorest members – Spain, Portugal, Ireland and Greece – would double over the next five years under budget proposals broadly agreed by the European Commission at the weekend.

The overall EC budget, set at Ecu66bn (£47.38bn) for this year, would rise from its current statutory limit of 1.2 per cent of Community gross domestic product to between 1.35 per cent and 1.45 per cent for 1993-7, according to senior officials. The Commission intends to finalise these proposals on February 11 and announce them to the European parliament the following day. The final decision rests with the 12 heads of government, either at a special summit – probably in May – or at the Lisbon summit in June.

However, the larger part of Saturday's special Commission meeting was devoted to the EC's fast-growing financial obligations abroad, particularly towards eastern Europe and the former Soviet Union. Officials say there is as yet no consensus on external aid, or on the wish of Mr Jacques Delors, Commission president, for an industrial restructuring fund to help the EC's defence, car, electronics and textiles industries.

The doubling of fiscal transfers to the four poorest countries would be done though big increases in the so-called structural funds, aimed at helping laggard and industrially stricken regions catch up, and through the "cohesion fund" agreed at December's Maastricht summit. This fund, introduced at Spain's insistence, is to help these countries meet EC environmental standards and improve transport links.

The structural funds were doubled in 1988 to Ecu63bn for the 1989-93 period, to help poorer EC areas prepare for next year's single market. The new effort is a shock absorber for economic and monetary union, for which Maastricht set 1999 as the latest date.

What has not yet been decided, officials say, is whether the doubling would be for the four countries overall, or each of them individually. "There is still a lot to play for," one remarked. Ireland, for instance, receives per capita about double the EC aid Spain receives. The final overall size of the budget will also determine whether industrially declining regions – like Tyneside and Scotland in the UK – have their level of aid increased by a third or a half.

There were no clear conclusions, or numbers, attached to the external aid policy debate. According to one official, the Commission is moving towards placing foreign aid as a separate line in the budget, rather than as now, in a miscellany which makes setting priorities difficult. Such a line would have a permanent reserve, enabling Brussels to respond much to emergencies more quickly. Officials say there is little backing so far for any industrial restructuring fund, which would in part regroup existing spending on research and development, training and long-term unemployment.

The new budget package has yet to deal with the common agricultural policy, which absorbs nearly three-fifths of EC spending. Well-advanced reform plans envisage higher short-term farm outlays, but the impasse over farm subsidies in the Uruguay Round trade talks has led to doubts whether the reform will survive intact.

Energy market plans scaled down

By Andrew Hill in Brussels

LARGE industrial users of gas and electricity should be the principal beneficiaries of controversial plans to open up the European energy market to greater competition.

The plans, which are likely to be approved by the European Commission on Wednesday, have been watered down since last summer, partly to win the support of some sceptical commissioners and member states. However, they will be fiercely opposed by the gas and electricity industries.

If approved, the draft directives will enable users of more than 100 GW/hours of electricity a year, or more than 25m cubic metres of gas annually, to buy their energy from suppliers anywhere in the Community from January 1, 1993, subject to capacity being available.

The threshold should apply to heavy users of gas, such as fertiliser and chemical plants, and electricity consumers ranging from the largest aluminium and steel factories down to glass-making.

In theory, larger energy distributors would also be able to pick suppliers outside their home country, thus passing on the benefits of competition to smaller consumers.

The plans would also allow competing companies to generate electricity and build power lines and gas pipelines, and would insist on separating the management and accounting of integrated production, transmission and distribution operations. Regulation would largely be left to each state.

The first stage of energy liberalisation has already been introduced, in the form of two directives forcing utilities to allow the transport of gas and electricity across EC borders. Brussels officials hope this second stage will prompt industrial users not covered by the new directives to press for further opening of access to energy networks.

Mr Antonio Cardoso e Cunha, EC energy commissioner, decided to adopt a phased approach last autumn, dropping more aggressive plans to use special legal powers to break energy monopolies. He has now discussed the new ideas with all 12 EC energy ministers. "It was much easier to sell the idea in this form; and in three or four countries we were surprised to receive a favourable reception when beforehand it was more difficult," he said last week.

But some member states – most notably the Netherlands and Germany which are protective of their gas producers – and the industries themselves will fight attempts to push for increased third party access to networks.

EC television ownership rules – a fuzzy picture

THE EUROPEAN MARKET

Raymond Snoddy sees little sign of a single market when it comes to buying a TV station

MR LESLIE HILL, chairman and chief executive of Central Independent Television, is not a Little Englander of the television business trying to build barricades around Birmingham and his Midlands franchise. Central, after all, is the company that won awards with "Auf Wiedersehen Pet", a comedy series about British building workers in Germany.

He insists that he welcomes competition from the rest of the European Community but would like there to be something approaching a level playing field.

In the year the single European market is due to be completed, he has drawn attention to a series of anomalies in the ownership of commercial television companies. While a Community citizen or company can in theory take over a commercial television company, there are often government restrictions preventing this. In some cases these restrictions apply to everyone, in others just to foreign owners.

Some appear to be clear breaches of the Treaty of Rome and of any concept of a single market. This year, the British government will formally lodge a complaint with the Commission against apparent, very public cases of discrimination against British and other EC television companies.

"We are in uncharted territory here," said one senior Eurocrat contemplating the imminent arrival of yet another piece of Community awkwardness from the UK. The facts are relatively straightforward. Research carried for Central shows a maze of differing television ownership rules and restrictions throughout the EC.

In Germany where commercial channels have to be licensed by each regional government, preference can be given to channels with 50 per cent or more German ownership. Non-German controlled channels are not considered for traditional terrestrial, as opposed to satellite, frequencies. In Greece, foreign ownership of a commercial television station is limited to 25 per cent; in Portugal, the limit in the new commercial channel TV1 is 15 per cent.

Belgian legislation stipulates that 51 per cent of the private station broadcasting to the Flemish community must be owned by the publishers of Dutch-language daily or weekly newspapers.

In France and Spain there are rules setting maximum ownership limits of 25 per cent for commercial stations, although these limits apply to everyone, including French and Spanish nationals. The principal aim is to prevent concentrations of media power.

In the UK, by contrast, the government was advised when drawing up the 1990 Broadcasting Act that it would be a breach of the Rome Treaty to try to exclude other EC nationals. As a result, after a temporary restriction – a two-year moratorium on hostile takeovers of Independent Television (ITV) companies which runs out at the beginning of 1994 – any Community company will be able to own 100 per cent of an ITV company.

The imbalance between the position in the UK and in some other Community countries, says Mr Hill, is "unfair and wrong". Central is particularly concerned because it is more vulnerable to foreign takeover than most. Not only is it the second largest ITV company, broadcasting to 9m people, but it retained its franchise unopposed with a bid of just £2,000 a year.

More fundamentally, however, the Central chairman believes that in the longer term the world media could be dominated by half a dozen companies, two of which would probably be American, two Japanese and two European. In such a scenario Britain's tiny ITV companies could be sidelined if they were effectively prevented from expanding at home or into the rest of Europe.

There are understandable sensitivities among smaller nations trying to defend minority languages and cultures that they should have some say over who owns and operates the dominant mass medium – television. It is also impossible to address the issue of television ownership rules in the Community without considering the dangers of media concentration.

There are already at least four significant cross-border operators in European television: Mr Leo Kirch of Germany, Mr Silvio Berlusconi's Fininvest, CLT of Luxembourg, and Canal Plus of France.

Even if exceptions on cultural grounds have to be granted there is surely a case for trying to remove some of the distortions and introduce some harmony into ownership rules within what is supposed to be developing as a single market.

Publishers fight for their advertising

By Raymond Snoddy

LEADING European publishers have drawn up a declaration on press rights and freedoms to put to the European Commission in the face of proposed regulations threatening to affect advertising of everything from tobacco and alcohol to pharmaceuticals and foodstuffs.

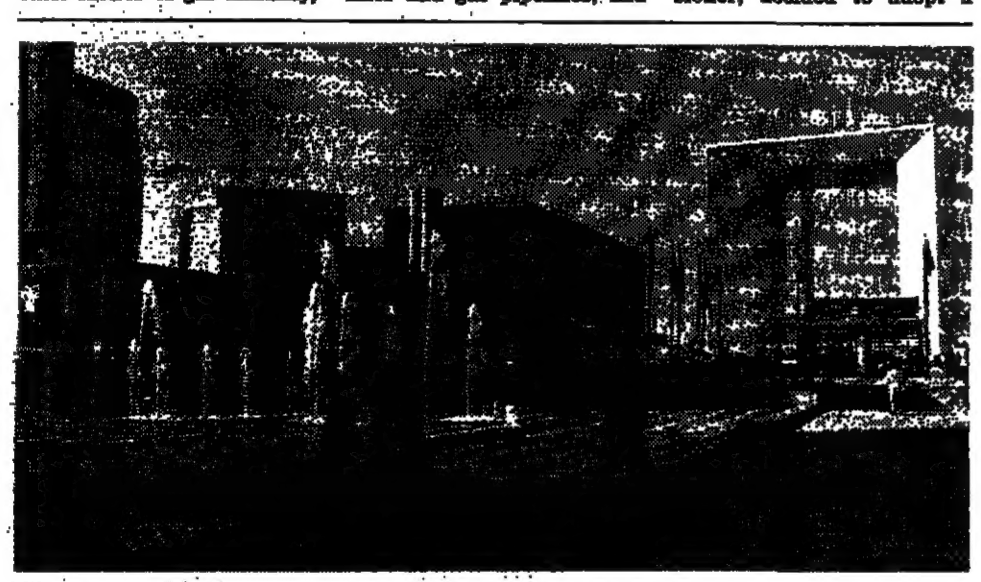
It will form the basis of talks between Mr Jacques Delors, Commission president, and the European Publishers Council (EPC) next month.

The publishers, including Axel Springer and Burda of Germany, Elsevier of the Netherlands, and News Corporation and the Daily Telegraph group of the UK, are stressing how the viability of an independent press depends on advertising revenues. "Advertising revenues therefore support pluralism, diversity and the freedom of the press," the declaration argues.

The publishers, who spell out the importance of an independent written press to political democracies, also want newsprint tariffs abolished.

A survey of EPC members by consultants Touche Ross found that revenues from tobacco and alcohol advertising amounted to almost 18 per cent of net profits of newspapers and magazines combined – 40 per cent for magazines alone. Advertising of foodstuffs, and pharmaceuticals as well as tobacco and alcohol together represent 22 per cent of magazine display advertising and 10 per cent of total magazine revenue.

In the longer term a reduction of advertising revenues could lead to smaller publications or even the closure of titles.



An office block in Paris's prestigious La Défense district (above) is named in the charges

La Défense developer charged in crackdown on corruption

By William Dawkins in Paris

ONE OF France's leading property developers, Mr Christian Pellerin, has been charged with financial irregularities, in the latest move in a judicial crackdown on alleged corruption in the property industry.

Mr Pellerin, who handled the development of a large part of La Défense, the prestigious office district west of Paris, has been charged, after two days of police questioning, with "aiding and abetting" both the "abuse of corporate property and falsification". He denies both charges.

He is the sixth person to be charged over FFr12.5m (£1.3m) of commissions paid during the purchase and resale of an office block in La Défense three years ago. It was acquired in 1988 from British Petroleum by a consortium of developers – including Mr Pellerin's company – for an estimated FFr530m and resold at a FFr230m profit to Banque Indosuez a year later.

Mr Pellerin (47) is an establishment figure, as chairman of Société d'Administration et de Réalisation d'Investissement (Sari), a subsidiary of the water distribution utility, Compagnie Générale des Eaux. He was also one of the original backers of Mr Georges Pebereau, the financier, in his failed attempt to gain control of Société Générale, the privatised bank, in 1988.

The developer claimed in television and radio interviews over the weekend that he was the victim of a plot to distract attention from a wider scandal, possibly involving the police. Sari was "the tree which hides the forest", claimed Mr Pellerin.

The charges, the climax of a series of financial scandals, are being taken by Paris property developers as confirmation of the seriousness of a campaign to clean up the commissions paid by developers to middlemen, often in local government, to help win important deals.

Such commissions are accepted practice in most cases. But the government decentralisation of powers to local authorities over the past six years has created fertile ground for corruption, as shown by a separate scandal over political party financing, which climaxed recently with a police raid on the Paris headquarters of the governing Socialist party.

Charges have also been brought against Mr Yves Rohou, president of PII, the original member of the consortium that set up the BP office block deal. Mr Rohou is accused of abuse of corporate property. Four others have been charged in recent months over the same transaction, including Mr Christian Schwartz, director general of PII.

The inquiry has been going on for more than two years, and was given impetus by the two suicides in 1990 of a senior police officer and an insurance agent, shortly before they were due to be interviewed over their alleged involvement in the transaction. Mr Pellerin has denied knowing the dead policeman.

Finnish party tells PM to explore EC membership

By Robert Taylor in Stockholm

FINLAND'S prime minister, Mr Esko Aho, and his cabinet colleagues from the Centre party have been given full power by their divided party MPs to "examine the conditions for Finland's eventual membership" of the European Community.

The final decision on whether to apply to join the EC is still expected to be made next month by the centre-right coalition government. However, unless he can carry a majority of his party with him, Mr Aho will be unable to agree to an application. So far, he has not indicated what he wants to do although he is believed to be sympathetic to joining.

Both the Conservatives, who are the Centre's main coalition partner, and the main opposition Social Democrats have come out strongly in support of an EC application by Finland.

Some in the Centre party want to make any entry application conditional on Brussels treating Finland as a special case in sensitive areas like farm support. Other party leaders argue the EC will not accept such an approach.

In the end, whether Finland joins the EC will be determined by a national referendum.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Algeria recalls envoys to Paris and Tehran

By Francis Ghilès in Algiers and William Dawkins in Paris

ALGERIA has recalled its ambassadors to Iran and France in response to criticism of last week's coup. It has also asked the Iranian ambassador to Algiers to leave.

The deteriorating ties with the countries – one a leading Middle East ally, the other Algeria's largest trading partner – underlines the uneasy relationship between the new five-member Council of State and the rest of the world.

The move came over a weekend which saw the first reported attack on security forces since the army stepped in and cancelled elections expected to bring the Islamic Salvation Front (FIS) to power.

According to the Algerian news agency, a group of Islamic militants attacked barracks at Sidi Moussa, 45km south of Algiers, on Saturday night. One soldier was killed and two others wounded.

Algeria's decision to recall its ambassadors follows blunt criticism from Iran, and what Algeria's new leaders regard as a patronising and unhelpful response from France.

Iran's sharpest comment came last Thursday, when President Ali Akbar Hashemi Rafsanjani said: "Algeria presents a historical test, where the supporters of freedom and democracy failed and are really disgraced." The close ties with Iran go back 11 years, when Algerian diplomats succeeded in convincing the Iranian leadership to release US diplomats who had been held hostage in Tehran for more than 12 months.

Since 1979 Algeria has represented Iranian interests in Washington and in the International Court of Justice in The Hague.

A suggestion by President François Mitterrand of France that Algeria should renew what he called a diplomatic dialogue is regarded by government officials as paternalistic. They also point out that as minister of the interior at the start of the Algerian war of independence in November 1954, he initiated a military campaign that paid little heed to democratic principles.

Reacting to Algeria's decision to recall its Paris ambassador for consultations, Mr Pierre Joxe, defence minister, said on French radio he had confidence that Algeria's people would find "the route to progress and democracy".

● US officials have backed away from suggestions that Algeria might be producing a nuclear weapon at a secret research centre. Satellite intelligence data had been misinterpreted, they said.

Arabs may boycott Moscow peace talks

By Tony Walker in Cairo

ARAB states have been asked by the Palestine Liberation Organisation to review their decision to participate in multilateral Middle East peace talks due to be held in Moscow late this month.

This follows a decision by Syria and Lebanon to boycott the talks, aimed at broadening the peace process to include all Middle East states, because of alleged Israeli intransigence. Mr Yassir Arafat, the PLO leader, said in Tunis yesterday that Arab participation would be discussed in Morocco on Friday at an Arab League session on Jerusalem.

The US and the former Soviet Union, co-sponsors of the latest attempt to promote Middle East peace, believe a regional forum to discuss such issues as disarmament, water and the environment would promote confidence among participants, including Israel.

Most Arab states, including those from the Gulf and North Africa, had agreed in principle to attend the Moscow session. Iraq and Libya are among the exceptions.

Three rounds of bilateral talks between Israel and its immediate neighbours, Jordan, Syria, Lebanon and the Palestinians, have yielded little progress since the meetings began in Madrid last November.

The Palestinians have also been threatening to boycott the Moscow round in protest at US plans to provide up to $10bn (£5.5bn) in loan guarantees to Israel.

Palestinian representatives claim the money will facilitate Jewish settlements in the occupied territories.

● Egypt yesterday halted a planned 30 per cent price rise for butane gas cylinders, in a clear sign of government nervousness over the impact of policies inspired by the International Monetary Fund. The change of heart over gas, used for cooking and heating by most Egyptians, follows strikes against sharp rises in the cost of living. The decision also reflects government concern about public order in the light of Algerian developments.

Cheney rejects new campaign against Iraq

SAUDI ARABIA is urging the US to organise a large covert campaign to help Kurdish and Shia rebels overthrow President Saddam Hussein of Iraq, according to US newspaper reports, writes George Graham in Washington.

The New York Times said Saudi Arabia wanted to provide air support as well as missiles and arms to help rebels against Mr Saddam's helicopters and tanks.

Mr Richard Cheney, US secretary of defence, yesterday described the report as "overblown", arguing that Mr Saddam no longer posed much of a threat to his neighbours or to the world. "How many American lives is toppling Saddam Hussein worth? My answer to that is not very damn many," he said in a television interview, adding he believed the Iraqi leader would eventually be ousted.

Mr Lawrence Eagleburger, deputy secretary of state, added: "So long as we maintain the sanctions as we have and as our allies have and as the UN has, I do not think he's a danger outside his country."

General Colin Powell, chairman of the US joint chiefs of staff, is reported to have argued that increased US intervention could only be successful if it involved at least as large a ground force as that used in Operation Desert Storm.

Saudi officials, according to the New York Times, believe the allies would not have to commit ground troops, but could limit their role to supplying missiles and munitions.

Lubbers to scrap S African visit

A PLANNED visit to South Africa next month by Mr Ruud Lubbers, the Dutch prime minister, is likely to be called off, the Dutch Foreign Ministry said yesterday, Reuter reports from Amsterdam.

Mr Hans van den Broek, Dutch foreign minister, was told during a telephone conversation with Mr Nelson Mandela, the African National Congress leader, that a visit at this time "was not opportune".

An announcement will be made to parliament tomorrow.

India axes price controls on steel

INDIA has abolished controls on the price of steel, signalling its intention to press ahead with an economic reform programme, writes K K Sharma in New Delhi.

The impact of higher prices will be softened by the lowering of import duties, by 20 to 25 per cent, on a wide range of steel products, particularly on steel melting scrap and billets used by rolling mills.

Harare rules out land appeals to High Court

By Tony Hawkins in Harare

ZIMBABWE'S commercial farmers, facing compulsory land acquisition by government, have been told they will have no right of appeal to the High Court over compensation.

The latest draft of the Land Acquisition Bill, which sets out government proposals, may be opposed by western donors who are likely to tie future aid pledges to a demand that farmers be allowed recourse to the court should they believe compensation to be inadequate.

The government is expected, at a meeting scheduled for mid-February in Paris, to seek aid pledges of US$1bn (£571m) required to see it through the next two years of its economic structural adjustment programme.

The draft provides for a six-man compensation committee, chaired by the permanent secretary for agriculture, which will decide how much to pay a farmer whose land is being acquired.

The draft also provides for appeal to the Administrative Court, but this will not have the authority to set aside the committee's decisions, unless the committee has failed to observe the principles laid down in the bill or has awarded excessive compensation.

President Robert Mugabe has promised the bill will come before parliament during its next session, opening towards the end of February.

There has been no official comment from the Commercial Farmers Union, but individual farmers who have seen the draft say it is "as bad, if not worse," than the original.

Ten years ago the government committed itself to resettling 162,000 families by 1985; to date it has relocated fewer than 60,000, and even the government-owned media have described some resettlement schemes as a failure.

Farmers are particularly upset at the reported existence of maps targeting farms to be acquired, including some prime tobacco growing areas. Tobacco is the country's leading export, worth more than US$500m last year.

Compulsory land acquisition is politically popular with the black majority. Political analysts believe Mr Mugabe's ruling Zanu-PF party sees the land bill as its best hope of recapturing grass-roots support, which has crumbled over the last year.

MR MARTIN SHIKUKU, interim secretary of Kenya's opposition Forum for the Restoration of Democracy (FORD), addresses the country's biggest political rally in two decades at the weekend. About 200,000 demonstrators were urged to vote out President Daniel arap Moi in elections expected later this year.

Kenyan opposition rally draws huge support

FORD was registered as a party earlier this month after Mr Moi's Kenya African National Union government in December bowed to mounting international and domestic pressure and switched to pluralism, ending more than two decades of one-party rule, Reuter reports from Nairobi.

Several new groups have already been formed but FORD appears to command the most opposition support from Kenya's multi-ethnic population of 24m. Political analysts said the rally's turnout – one of the biggest since independence from Britain in 1963 – illustrated the growing threat to Mr Moi's 12-year-rule.

Labor poll victory leaves NSW on knife-edge

By Kevin Brown in Sydney

AUSTRALIA'S most populous state, New South Wales, faces increased political instability after a weekend by-election defeat for the governing Liberal/National party coalition.

The opposition Labor party won 55 per cent of the votes cast in the coastal seat of The Entrance, in spite of a strong campaign by Mr Nick Greiner, the state premier, and Mr John Hewson, leader of the coalition at the federal level.

The result leaves Labor and the coalition with 47 seats each in the 99-member state parliament, with the balance of power held by five independents.

It is unlikely to lead to an early state general election because the independents have agreed not to support a vote of no-confidence unless the government proves grossly incompetent or corrupt.

However, the result will increase the government's reliance on the independents and encourage Labor to step up its efforts to force a general election or a parliamentary realignment. The result is also a setback for the coalition at the federal level. This used to see Mr Greiner's government as a launching pad for its campaign to oust Labor from the federal government in Canberra.

The Entrance was one of 49 seats won by the coalition in a NSW state-wide general election in May. Labor took 46 seats, leaving the balance of power in the hands of four independents. The result in The Entrance was declared void after a court challenge by Labor.

Turkey unveils populist budget to lift economy

By John Murray Brown in Istanbul

TURKEY'S coalition government has announced a populist economic programme in its new budget, using tax incentives and subsidised bank credit to boost investment and revitalise the economy.

The proposals, presented on Saturday by Mrs Tansu Ciller, chief economics minister, envisage growth of 5.5 per cent in 1992, compared with about 2 per cent last year. Inflation, now at 70 per cent, is to be brought down to 42 per cent.

Tax exemption for minimum wage earners will be introduced. Tax breaks and cheap credit channelled through development banks will stimulate activity in poorer regions, particularly the Kurdish-speaking south east.

Further tax changes for government securities are planned to attract funds to equity markets.

The government projects a slower real depreciation of the Turkish lira, devaluing against the dollar by 52 per cent in 1992. The average rate for the lira over this year is forecast at 6,832.

The budget also foresees spending of TL207,000bn (£21.5bn) and revenues of TL176,000bn. This excludes subventions to state enterprises. Short-term borrowings by the Treasury are to be reduced. Rates of withholding tax for government securities will be adjusted, encouraging banks and corporations to invest in longer term paper.

Bills of maturities up to a year will be taxed at 15 per cent. Longer term bills will remain at the 10 per cent level.

US presses growth strategy on G7 partners

By George Graham

THE US will continue to press its economic partners to sign up for a growth strategy at this week's meeting in the US of finance ministers from the Group of Seven industrial countries. However, Bush administration officials admit they have not yet won over their European counterparts.

After President George Bush and Japanese Prime Minister Kiichi Miyazawa declared in Tokyo earlier this month a strategy for strengthening growth in the world economy, US officials have sought to enlist the support of the European members of the G7 – Germany, France, Italy and the UK.

They say there is greater recognition that their worries about the pattern of world economic growth are justified.

"I think there is acceptance of the fact that there is a growth problem," a senior Treasury official said, noting that aggregate growth in the G7 countries was estimated to have been no higher than 1 per cent in 1991, and was forecast at 2 per cent in 1992.

But the official acknowledged that Germany remained reluctant to adopt a formal growth strategy similar to the Tokyo declaration, and that the other European countries were severely constrained in their freedom to act without Germany.

"A number of countries don't have much room for manoeuvre, because of the dominating position of the Bundesbank, the D-Mark and Germany," he said.

The US is particularly pleased with the Tokyo communiqué, as it commits Japan to policies designed to promote economic growth through domestic demand and not expanded exports.

Germany, on the other hand, has given priority to the fight against inflation and recently raised its short-term interest rates.

Other European countries, such as France, might have preferred to cut rates, but place greater emphasis on the sanctity of the European monetary system's current exchange rate parities.

INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

	UNITED STATES					JAPAN				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	96.6	102.0	99.9	77.1	100.8	95.3	101.4	103.3	125.7
1987	105.6	100.7	104.0	97.5	64.7	101.2	92.5	103.1	100.6	126.9
1988	109.9	103.2	107.0	96.4	59.9	102.2	92.3	107.6	96.2	137.4
1989	115.2	108.5	110.0	98.1	63.0	105.0	94.2	114.0	96.1	131.3
1990	121.5	113.9	114.0	99.2	66.6	108.2	95.7	120.1	96.2	116.1
1991	126.6	116.3				111.9				
1st qtr.1991	5.3	3.5	3.6	2.3	52.7	3.6	2.8	3.8	1.3	118.0
2nd qtr.1991	4.8	3.4	2.9	2.4		3.1	2.3	4.3	3.0	
3rd qtr.1991	3.9	1.9	3.2	2.5		3.3	1.7	3.3	4.0	
4th qtr.1991	3.0	−0.2				3.2				
January 1991	5.7	4.0	4.5	1.8	n.a.	3.9	2.8	1.9	0.0	n.a.
February	5.3	3.4	3.6	2.6	n.a.	3.4	2.8	5.4	1.0	n.a.
March	4.9	3.2	2.7	2.6	n.a.	3.4	2.6	4.1	3.0	n.a.
April	4.9	3.3	2.7	2.4	n.a.	3.0	2.4	4.0	3.0	n.a.
May	5.0	3.5	3.5	2.5	n.a.	3.0	2.4	4.0	2.0	n.a.
June	4.7	3.5	2.6	2.5	n.a.	3.3	2.2	4.6	4.0	n.a.
July	4.4	2.9	3.5	2.2	n.a.	3.4	2.0	1.9	3.0	n.a.
August	3.8	2.0	3.5	2.9	n.a.	3.5	1.9	6.5	5.0	n.a.
September	3.4	0.7	2.5	2.5	n.a.	3.0	1.1	2.9	4.0	n.a.
October	2.9	0.0	2.6	3.4		3.2	0.3	2.8		
November	3.0	−0.5				3.6				
December	3.1	−0.1				2.9				

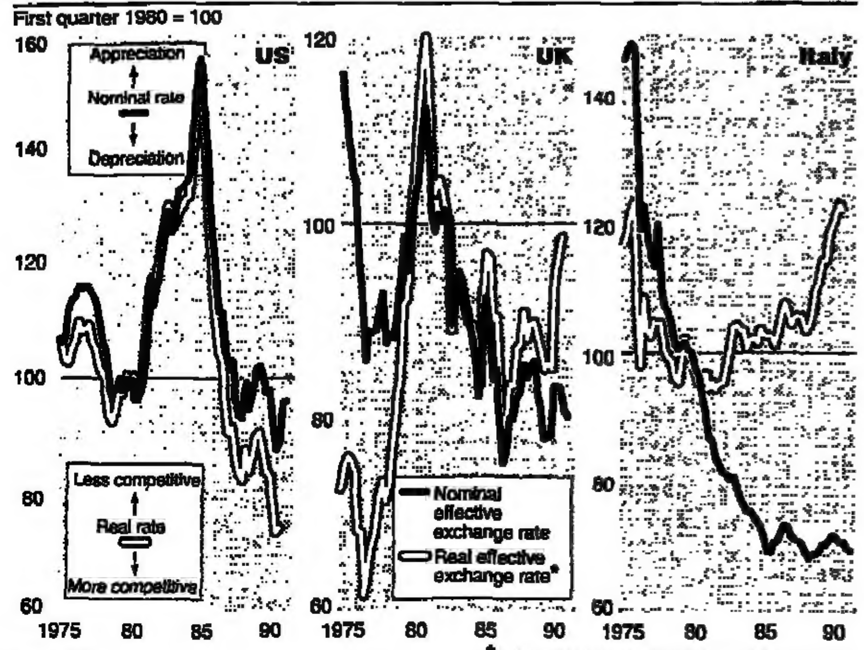
	GERMANY					FRANCE				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	99.9	97.5	104.0	104.0	111.3	102.5	97.2	104.5	101.5	101.9
1987	100.1	95.1	108.0	107.0	126.0	105.9	97.8	107.8	103.8	102.1
1988	101.4	96.2	113.0	107.0	126.2	108.8	102.8	111.1	104.3	99.3
1989	104.2	99.3	117.0	108.0	122.6	112.6	108.4	115.4	109.5	95.8
1990	107.0	101.0	124.0	110.0	126.6	116.4	107.1	120.6		100.6
1991	110.7					120.0				
1st qtr.1991	2.7	2.1	n.a.	2.8	124.2	3.4	0.7	n.a.		101.3
2nd qtr.1991	3.1	2.2	n.a.	3.0		3.2	−0.7	n.a.		
3rd qtr.1991	4.1	2.6	n.a.	4.9		3.0	−1.6	n.a.		
4th qtr.1991	4.0					2.9				
January 1991	2.8	2.3	6.7	1.8	n.a.	3.6	n.a.	4.6	n.a.	n.a.
February	2.7	2.2	–	2.7	n.a.	3.5	n.a.	–	n.a.	n.a.
March	2.5	1.8	–	2.8	n.a.	3.2	n.a.	–	n.a.	n.a.
April	2.8	2.2	6.5	0.9	n.a.	3.2	n.a.	4.2	n.a.	n.a.
May	3.0	2.2	–	4.4	n.a.	3.2	n.a.	–	n.a.	n.a.
June	3.5	2.3	–	3.6	n.a.	3.3	n.a.	–	n.a.	n.a.
July	4.4	3.3	6.4	1.8	n.a.	3.4	n.a.	4.3	n.a.	n.a.
August	4.1	2.7		6.4	n.a.	3.0	n.a.		n.a.	n.a.
September	3.9	2.8		8.4	n.a.	2.8	n.a.		n.a.	n.a.
October	3.5	2.3				2.5	n.a.		n.a.	n.a.
November	4.2	2.5				3.0	n.a.		n.a.	n.a.
December	4.2					3.1				

	ITALY					UNITED KINGDOM				
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	106.1	100.2	104.8	102.8	101.4	103.4	104.3	107.7	104.5	92.9
1987	111.0	103.2	111.6	105.6	102.5	107.7	108.3	118.3	105.9	90.6
1988	116.5	108.8	118.4	109.7	101.9	113.0	113.2	128.2	108.9	98.8
1989	124.2	113.1	125.6	112.2	109.2	121.8	119.0	137.2	113.6	95.0
1990	131.8	117.8	134.7	120.1	117.1	133.3	126.0	150.1	123.6	98.3
1991	140.3					141.2	133.2			
1st qtr.1991	6.6	4.2	7.9	7.2	118.4	8.7	6.3	8.9	10.8	107.1
2nd qtr.1991	6.8	3.9				6.0	6.0	8.5	10.7	
3rd qtr.1991	6.4	3.1				4.8	5.7	7.8	8.7	
4th qtr.1991	6.1					4.2	5.1			
1991 January	6.5	4.2	7.8	n.a.	n.a.	9.0	6.3	9.5	10.6	n.a.
February	6.7	4.2	7.6	n.a.	n.a.	8.9	6.3	9.1	11.5	n.a.
March	6.6	4.2	8.0	n.a.	n.a.	8.2	6.3	8.0	10.5	n.a.
April	6.7	4.0	8.4	n.a.	n.a.	6.4	6.2	9.2	12.5	n.a.
May	6.8	3.8		n.a.	n.a.	5.8	6.0	8.3	10.8	n.a.
June	6.9	3.8		n.a.	n.a.	5.8	5.8	8.0	8.8	n.a.
July	6.7	3.8		n.a.	n.a.	5.5	5.9	7.6	7.0	n.a.
August	6.3	2.9		n.a.	n.a.	4.7	5.7	8.3	7.5	n.a.
September	6.2	2.6		n.a.	n.a.	4.1	5.6	7.5	5.7	n.a.
October	6.1					3.7	5.2	8.3	5.5	
November	6.2					4.3	5.1	8.0		
December	6.0					4.5	5.0			

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US – finished goods, Japan – manufactured goods, Germany – industrial products, France – intermediate goods, Italy – total producer prices, UK – manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany – mining and manufacturing, other countries – manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

Do devaluations improve competitiveness?

First quarter 1980 = 100



Source: IMF

*adjusted for change in relative unit labour costs

Why the case against devaluation is not clear-cut

DEVALUATION has become a dirty word for most British politicians and economists. Witness the dismissal of recent calls for sterling to be realigned within the European exchange rate mechanism as unnecessary, ineffective and counterproductive. But how strong is the economic argument that lurks behind this anti-devaluation rhetoric?

The case against devaluation has three parts: in the short-term, it would lead to higher interest rates and so delay the recovery; sterling is not "over-valued" so there is need to try to boost export competitiveness; and even if sterling were over-valued, the competitiveness gains would quickly disappear.

The first argument is almost certainly true. UK interest rates are high because nervous investors demand a premium over high German rates. Devaluing would further jangle their taut nerves.

But the jury is still out on whether sterling is over-valued. The UK real exchange rate, the nominal rate adjusted for differences in national price inflation in the traded sector, is broadly in line with its average level over the past two decades. Yet Britain also has a trade deficit at the bottom of a deep domestic recession. Moreover, the UK's relatively unprofitable manufacturing sector, the main source of traded goods, constitutes a smaller share of gross domestic product than in any other of the six largest industrialised countries except the US.

Of course, the anti-devaluationists can concede that sterling could be over-valued. If so, a real devaluation will be needed to divert output to the traded sector. But this real devaluation cannot be achieved painlessly by changing the nominal exchange rate. Devaluing sterling would merely raise inflation, leaving the real exchange rate unchanged.

It is easy to assert that the benefits of a devaluation would be wiped out by rising prices; but more difficult to demonstrate it. Historical evidence is undermined by a myriad of special factors; international experiments do not compare like with like. But neither source proves the anti-devaluationist's case.

The left-hand chart shows the dollar and a real exchange rate using changes in unit labour costs as a proxy for traded goods prices. These two exchange rates moved together throughout the appreciation and subsequent depreciation of the dollar in the 1980s. Far from fuelling high wage inflation, the nominal depreciation was more than out-paced by the accompanying real depreciation. Of course, the US is a large and relatively isolated economy. For a small, open economy like Denmark, the gains would be quickly eroded by wage and price inflation. Rising import prices would push up costs, while consumers would pour in to buy cheap non-traded goods and services.

The impact on medium-sized economies such as Italy or the UK should lie somewhere between these extremes, particularly as both the UK and Italy have more inflation-prone labour markets than the US. Yet the depreciation of the lira over the past two decades has been more than offset by higher domestic wage and price inflation, while the relationship between the UK nominal and real exchange rates looks more like that of the US than Italy.

One reason is the very different exchange rate regimes facing sterling and the lira in the 1980s. The Italian real exchange rate started to move in an opposite direction to the nominal rate once Italy joined the ERM, and especially after 1987 when realignments became less frequent. The UK nominal and real rates only moved apart after sterling joined the ERM in 1990. Another reason is fiscal policy. Both the US and the UK had a contractionary fiscal policy while their exchange rates were depreciating; but loose Italian fiscal policy reinforced rather than offset the impact of the depreciation on domestic demand.

Whether the response of the UK real exchange rate to a sterling devaluation within the ERM would resemble the Italian or the US experience would depend on whether, unlike in Italy, anti-inflationary credibility could be maintained afterwards. This would depend on whether it was accompanied by credibly tight monetary and fiscal policy, and changes in wage-bargaining practices. Of course, if sterling is not over-valued then this is all idle speculation.

Edward Balls

UK NEWS

CBI SURVEY

UK retailers fail to achieve boost in sales

By Edward Balls

RETAILERS had a disappointing Christmas and expect sales to fall in January, reversing a six month rising trend, the Confederation of British Industry reports today.

This gloomy picture of sluggish sales and orders among both retailers and wholesalers alike reinforces the view that the unwillingness of UK consumers to resume spending is delaying the upturn.

It stands in sharp contrast to the prime minister's view, restated yesterday, that slow world economic growth is to blame for the imperceptibly slow pace of the recovery.

The evidence from the Confederation of British industry's latest distributive trades survey suggests that the prime minister's optimism remains at odds with reality.

Mr Nigel Whittaker, chairman of the CBI panel, said that heavy price discounting throughout December did not produce the boost in trade that retailers had hoped for said.

"Retailers report that December's sales volumes remained moderately above the already very depressed levels of a year ago." he said.

More worrying for the government, what buying there was to take advantage of the early sale prices appears to be cutting into this month's retail sales. "Retailers expect sales to slip back a little below last year's levels for the first time since June," Mr Whittaker said.

The government remains confident in its forecast of economic recovery. Speaking in an interview with David Frost for TV-am's Frost on Sunday programme, Mr Major claimed that the UK would lead the world economic recovery in 1992. "We are at a different stage of the cycle from many of our competitor countries and I think we will come out of our difficulties earlier than them," he said.

Mr Tony Blair, Labour's employment spokesman, dismissed Mr Major's claims as "utterly remote from reality."

The CBI survey suggests that the government faces more bad economic news this morning when the Central Statistical Office releases the provisional retail sales figures for December. Financial markets are expecting seasonally adjusted sales in December to be unchanged on November.

The final retail sales figures for November, released last week, showed that sales rose by 1.3 per cent on the previous month. But sales in the three months to November were down by 0.3 per cent on the previous quarter.

● Most Britons say they have not been saving more in the past two years, according to a survey by Mintel, the market research company writes Philip Coggan. Official statistics have shown an increase in the savings ratio, which measures savings as a percentage of total personal disposable income, but 70 per cent of those interviewed say they have not started to save more in the past year or two.

December volume is sharply lower

THE VOLUME of pre-Christmas sales was sharply lower than retailers had hoped for, despite heavy price discounting, while sales in January are expected to fall for the first time since June of last year writes Edward Balls.

This is the message from the latest Distributive Trades Survey conducted by the Confederation of British Industry.

Retailers report that sales in December were fractionally up on a year ago, but by far less than had been anticipated in the November survey

The heavy price discounting seen throughout December did not produce the boost in trade that retailers had hoped for, explained Mr Nigel Whittaker, chairman of the survey panel.

Moreover, what sales there were involve consumers moving their purchases forward from January to December. "As a result, retailers now expect sales to weaken in January," Mr Whittaker added.

The survey, conducted between December 16 1991 and January 8 1992, shows that 39 per cent of retailers report *December sales above those of* a year ago, while 34 per cent report lower sales.

Taking the distributive trades as a whole, covering 15,000 outlets in the wholesale and motor trades as well as retailers, the picture was even more gloomy. Overall, 31 per cent of traders reported higher sales in December than a year ago, compared to 38 per cent reporting lower sales.

Among retailers, grocers and chemists reported continued year on year growth in sales while off-licences footwear and durable goods retailers all report sales volumes below a year ago. Clothing retailers were hit particularly hard, after two months of growth.

Only 25 per cent of retailers expect sales in January to be higher than a year ago compared to 31 per cent expecting *lower sales. This balance indic*ating lower sales overall sales in January is negative for the first time since June of last year. Off licences and booksellers expect the largest declines.

Modest sales growth and falling expectations for trade in January have led retailers to cut back both on their stocks and on the orders they place with wholesalers. Already a higher proportion of retailers report placing lower orders with suppliers in December than a year ago, and similar numbers expect to reduce orders again in January.

Brooke seeks to continue talks

By Ralph Atkins

MR PETER Brooke, Northern Ireland secretary, (pictured above) will report to MPs today on the IRA's murder of seven building workers in County Tyrone on Friday amid intensifying gloom about the prospects of resolving the province's political future.

His decision to make Commons' statement on security in the province follows the arrival yesterday of an extra 500 troops in the province.

Tonight Mr John Major will meet a delegation of Unionists MPs whose anger at the terrorist outbreak is overshadowing Mr Brooke's attempts to start "round table" talks in Northern Ireland.

Mr Brooke is likely to tell MPs that fresh talks before the general election are unlikely. But he will make clear his intention to continue "talks about talks" – if only to ensure communication between government and political parties continue.

He faces a call from the Rev Ian Paisley, leader of the Democratic Unionist Party, to resign for his alleged insensitivity in allowing himself to be persuaded to sing a folk song on Irish television chat show only hours after Friday's atrocity.

Although Mr Brooke may express regret today, the Northern Ireland Office believes it would have been allowing the IRA to set the agenda if he had withdrawn from the programme.

Ministers said the decision to send extra troops to Northern Ireland was taken before Friday's IRA attack which added to fears about the safety of civilians working for security forces in the province. Unionists continue to press for internment of IRA suspects – a measure so far rejected by Mr Brooke.

Concern about security and the continuing failure on political talks have forged cross-party unity at Westminster. Mr Paddy Ashdown, Liberal Democrat leader, yesterday wrote to the Labour and Conservative parties calling for a non-partisan pact to make clear that, whoever wins the general election, there will be no private deals with either the nationalist or protestant communities.

Similar support for Mr Brooke's efforts has already been offered by Mr Kevin McNamara, Labour's Northern Ireland spokesman.

Nissan UK launches price campaign

By Kevin Done, Motor Industry Correspondent

NISSAN UK, the former distributor of Nissan vehicles in Britain, has launched a price war against Nissan Motor, the Japanese vehicle maker.

Nissan Motor took over direct control of its UK distribution operations on January 1 after removing the franchise from Nissan UK following a prolonged and bitter legal battle.

Nissan UK, the privately-owned company controlled by Mr Octav Botnar, still has considerable stocks of new Nissan vehicles, which it is continuing to sell through its allied AFG chain of dealers.

Nissan UK has started a national advertising campaign offering its base model Nissan Micra for an on-the-road price of £5,595, which it claims is more than £700 less than the cheapest Micra on offer from Nissan Motor in the UK, and up to £1,000 less than some other rival small cars.

It is also offering "special deals and generous part-exchange allowances" in its marketing offensive.

The new Nissan dealer network being set up by Nissan Motor (GB), the Nissan subsidiary established to replace Nissan UK's sales, marketing and distribution operations, is still in the early stage of development. Its first 150 dealers started operations less than three weeks ago.

Nissan Motor has launched its own £20m advertising campaign to restore confidence in the battered franchise, but potential Nissan customers will still face confusion over prices and vehicle equipment levels until Nissan UK's stocks are exhausted.

Nissan Motor is seeking to stop Nissan UK's efforts by preventing it from using the Nissan name and logo in the marketing of Nissan vehicles.

It said that it has written to Nissan UK, AFG, and former Nissan UK dealers giving them seven days to confirm that:

● all signs displaying the Nissan name and logo are removed from dealerships and other premises;

● signs are removed where they relate to the sale of second-hand vehicles when the vehicles are not Nissans, and

● the Nissan name will no longer be used in advertisements or publications for sales or service suggesting that these services are coming from authorised suppliers.

Mr Akio Sumitomo, Nissan *Motor (GB)'s managing direc*tor, said the action was necessary to "protect Nissan's name and reputation".

Nissan Motor (GB) said it was aiming to increase its dealer network from 150 at present to 400-450 by the end of 1995. It is seeking to sell 70,000 cars and 6,000 light commercial vehicles this year, with the aim of raising car sales to 150,000 in 1995. . The UK new car market is forecast to be 1.75m this year.

To achieve these targets it must greatly increase its penetration of the UK company-car market. Nissan Motor (GB) said it was planning to sell 10,000 vehicles to the fleet market this year. In the long term it hopes to raise its share of the UK new car market to 10 per cent from 4 per cent.

Ford, the leader of the UK new-car market, has been sharply criticised by the Swan National group, the UK vehicle fleet operator, for its latest round of price increases writes Kevin Done. Ford, which lost money heavily in the UK last year, raised its prices by 3.7 per cent last week. Mr Freddie Aldous, chairman and chief executive of Swan National, said it was "irresponsible if the motor manufacturing industry in the UK continues to increase vehicle prices year after year well in excess of annual inflation."

BRITAIN IN BRIEF

BAe faces £80m claim from Asda

British Aerospace, the troubled UK industrial combine, faces a £80m indemnity claim from Asda, the supermarket group, arising from an ill-starred property joint venture. BAe also confirmed yesterday that Mr Dudley Eustace, its finance director, is leaving the company. The parting was "amicable", it said, but would make no further comment. A formal announcement is due today. Mr Eustace has been BAe's finance director throughout its recently turbulent history, including the removal from the chairmanship of Sir Roland Smith and his replacement on a temporary basis by Sir Graham Day.

Increase in managers' pay

Increases in total pay for managers in Britain slowed to under 10 per cent on average last year, according to the executive pay index produced by the Noble Lowndes group of management consultants and actuaries. The index includes the value of benefits such as cars and pensions as well as *salaries and bonuses. It is* based on the group's regular pay surveys, and is calculated quarterly for the Financial Times. The latest survey, which covered 5,304 executives in 417 varied companies in the UK, shows that on January 1 the average for managers of all ranks was £75,794, 9.3 per cent up on the £69,345 average at the beginning of 1991. The corresponding increase in 1990-91 was 13.8 per cent.

Room remains at the top

Less than half a per cent of the board members of Britain's top 1300 quoted companies are women, according to an analysis of the forthcoming 1992 issue of the Crawford's Directory of City Connections. There is only one female managing director, Anita Roddick at Body Shop, (pictured above) one chief executive, Ruth Henderson at the fashion retailer Alexon Group, and five chairwomen. In the slightly broader category "top executives" women make up 2 per cent of the total. Out of 7,103 people in senior positions in listed and Unlisted Securities Market (USM) companies, 152 are women.

Beer prices to be examined

The Office of Fair Trading has asked the UK's five biggest brewers – Bass, Courage, Allied-Lyons, Whitbread and Scottish & Newcastle – to explain why beer prices have been rising faster than the rate of inflation. In the year to June 1991, the average price of a pint of bitter rose by 14p to 124p and the price of lager by 15p to *139p, according to a report* by Warburg Securities. Further selective increases since have led to complaints from some publicans as well as consumers. The price of beer in supermarkets is now between 50-75 per cent lower than in pubs.

National Savings rise

National Savings rose sharply in the nine months from March to December according to figures released yesterday. The total inflow of savings was £1.88bn, up from £1.053m in the same period a year earlier. The improvement follows the introduction of more attractive savings products.

Guinness: trial of patience

By Raymond Hughes, Law Courts Correspondent

THE SECOND Guinness trial, in which former merchant bankers Mr Roger Seelig and Lord Spens deny fraud and false accounting, has progressed only 2½ days since December 20, when it was adjourned for Christmas.

The trial began at Southwark Crown Court in London in September last year, and was then expected to last about three months. Only 10 of the 80 potential prosecution witnesses have given evidence, and hearings are now thought likely to continue well into the summer.

Within little more than two hours of the trial's resumption on January 6, a juror became too unwell to continue. There were no further sittings that week because Mr Seelig, who is conducting his own defence, had been suffering from the side-effects of medicine prescribed for treatment he had started after Christmas.

Last Monday the judge heard legal submissions in the jury's absence. Evidence then continued for two days before again being halted by a juror's illness. It may resume tomorrow.

> Early last month Mr Justice Henry, the judge, told the jury that the trial might last until Easter this year. "And I can't give you a copper-bottomed, 100 per cent guarantee that it will have finished by then".

Early last month Mr Justice Henry, the judge, told the jury that the trial might last until Easter this year. "And I can't *give you a copper-bottomed*, 100 per cent guarantee that it will have finished by then," he added.

He explained that the issues and the detail in which they had to be examined had been more extensive than foreseen, but that nobody could be blamed for that. He told the jury they could have a week off in February because their work was being unexpectedly prolonged.

Not all of the non-jury days have been wasted. Many hours have been spent in legal argument which might overwise have delayed sessions in the presence of the jury.

The prosecution arising from Guinness's bitterly fought £2.7bn takeover battle for Distillers in 1986 is not expected to be completed much before the end of this year.

After he has completed Guinness Two, Mr Justice Henry will preside over Guinness Three, in which the defendant is Mr David Mayhew of Cazenove, Guinness's broker during the takeover.

Guinness Four is to start at the Old Bailey before Mr Justice Turner in September and to last four to six weeks. That action concerns Mr Thomas Ward, a US attorney who was a Guinness non-executive director at the time of the battle for Distillers.

Allowing for appeals, the whole process could last until early next year – seven years after the events which gave rise to the prosecution.

Rifkind sails into stormy waters

Richard Tomkins on questions raised by privatisation of a trust port

THAT *the first* privatisation of a trust port has turned into an embarrassing debacle is clear. But is it a case of bungling on a spectacular scale? Or has the decision simply been misunderstood?

A furore erupted when the Tees & Hartlepool Port Authority decided last month to sell its port neither to the highest bidder nor to a management – employee buy-out team, but to a consortium called Teesside Holdings for £180m.

Mr Malcolm Rifkind, the transport secretary, said he was "minded" to approve the decision as soon as the necessary order had been approved in parliament. Last week, however, he was obliged to bow to the protests by ordering a departmental review of the port authority's decision.

The review, likely to take about two weeks, will need to address a number of serious concerns. The main ones among them are:

● **Why was the port not sold to its management and employees?**

The simple answer is price: the buy–out team offered only £150m compared with Teesside Holdings' £180m. Yet price was only one of three criteria set for the port's sale. The others were to ensure that the port operated to the benefit of the local economy, and "to have particular regard to the desirability of encouraging the disposal to managers and staff of the whole, or a substantial *part, of the equity...*"

Given this strongly expressed preference for a buy-out, how could Teesside's bid have been preferred when it was offering employees an equity stake of only 5 per cent compared with the buy-out team's 100 per cent?

One adviser close to the sale says the buy-out team simply misjudged the degree of preference that would be given to a management-employee bid. It was clear from other privatisations - for example, of the bus industry - that the buy-out factor was worth only an extra 5 per cent or so to the value of their bid.

"They could easily have closed the gap by bringing in a bit of outside equity and ratcheting up a bit," he *said. But in* his opinion, the buy-out team were greedy: they wanted all the equity for themselves.

● **Did the port authority favour Teesside by negotiating with it during the contest?**

Teesside is said to have raised its initial bid from £100m to £120m, brought in two outside investors (Powell Duffryn and 3i), raised its bid again to £180m and changed its name to Teesside Holdings before the bidding closed. The implication is that they received guidance from the vendor's advisers that their original bid was deficient.

That, however, is not unusual or improper in privatisations of this kind. Those involved in the sale say all the bidders were advised about the competitiveness of their offers, and could have adjusted them accordingly.

Then why was the buy-out team not advised that its bid was unlikely to win?

Advisers connected with the sale say they were, but claim the management were overconfident to the point of arrogance. "They really committed hara-kiri on this," says one. "They just wouldn't listen to what they were being told."

● **If price was the ultimate consideration, why was the port not sold to the highest bidder?**

Teesside's bid of £180m was well short of the £202m offered by the highest bidder, Maritime Transport Services. Further, MTS had devised a scheme for putting up to 20 per cent of the equity in management and employees' hands, against Teesside's 5 per cent.

WHAT counted so heavily against MTS was concern about the company's other main activity: operating the relatively new Thamesport container terminal on the Isle of Grain in Kent. This is incurring heavy start-up costs, leading to fears that Tees & Hartlepool's revenues could be diverted to support it. One adviser says these fears were made known to MTS, but the company did not adequately dispel them. It also had less ambitious plans for the development of Tees & Hartlepool than Teesside, exacerbating concerns that it could be planning to use the port as a cash cow.

Set against this, however, is the fact that MTS's chairman, Mr Geoffrey Parker, is one of the port industry's most experienced leaders, and that his bid had the backing of County NatWest and Legal & General Ventures, two large and respected financial institutions. The puzzle is that these qualifications failed to set the authority's mind at rest.

● **Could Teesside's offer of seats on its board have presented the port authority with a conflict of interest?**

Teesside said that if it won the contest, it would bring in local expertise by appointing one member of the port authority to its board and one local lawyer. However commendable in motive, the effect was that the people judging the competition knew that one of their number could benefit if Teesside won; further, it seemed possible that the local lawyer chosen would be from the law firm advising the port authority on the bidding. The offer of these two places on the board presented so great a possibility that the public could perceive a potential conflict of interest that it seems remarkable that it was allowed to stand.

As with the other concerns over the Tees & Hartlepool sale, Mr Rifkind's problem is not just to establish that the decision was fair, but to persuade a doubting public that it *can be seen to be fair. The sec*ond may prove more difficult.

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MANAGEMENT

Why the kissing has got to stop

Véronique Neiertz: penalties

Managers are trained to believe that clichés about national characteristics are as misleading as they are pernicious.

But it may just be that the old caricature of Latin races as highly-sexed contains a spark of truth. Sexual harassment at work has caused such a headache for French employers and their staff that the government has recently seen fit to act.

Véronique Neiertz, state secretary for women's rights and daily life, is planning to introduce new penalties in the spring parliamentary session. These will come on top of criminal sanctions due to come into effect shortly, which will make sexual harassment a crime in French law for the first time.

According to a survey of 1,300 people, commissioned from Louis Harris by the government at the end of last year, the problem is growing fast. One-in-five French citizens of both sexes have encountered sexual harassment at work, up from 7 per cent in 1984. Blackmail, repeated advances and obscene language were the most common problems.

Neiertz aims to strike a balance between giving victims protection and avoiding what she sees as the excessive regulation in the US, where the mere creation of a "hostile environment" is punishable.

As an illustration of French attitudes to sex at work, the Judge Clarence Thomas saga in the US was met with general bafflement in France. The public takes little or no interest in the sexual habits of public figures, whether they are business people, judges or politicians.

Demonstrations of personal sexuality are in some ways less controversial in France than the US or the UK. But France's relaxed attitude to the boundaries between acceptable and unacceptable conduct is changing. The criminal penalty against harassment, agreed by the French parliament last summer, sets a fine of up to FFr100,000 (£10,300) plus up to a year in prison for anyone who, "abusing the authority conferred on them by their position, uses pressure to obtain favours of a sexual nature".

The latest proposals put this general idea into labour law, describing the offence as "a word, gesture, attitude or behaviour by a hierarchical superior with a view to compel an employee to respond to a solicitation of a sexual nature".

Employers would be obliged to establish in-house rules against harassment and would be forbidden from discriminating against victims or witnesses or resorting to other means to hush up cases. Often the "victim is more punished than the person guilty of harassment", says Neiertz.

What is most striking about the new rules – and what sets France apart from other countries – is that they apply only to harassment by superiors and offer no remedy for people who are abused in this way by colleagues or inferiors.

It could be that harassment by colleagues is too widespread in France to be controlled by legislation. "I do not say there is not sexual harassment between colleagues, but when there is no link of power or economic dependence, the woman or man being harassed can defend themselves," Neiertz told a French newspaper. She added: "We must not end up with the excesses of the US, where the slightest glance can be misinterpreted".

William Dawkins

Henry Casley calls it the "Quest for Quality" and as Southern Electric's managing director, he has been pursuing it with all the enthusiasm and zeal of a Arthurian knight.

Casley's determination to follow a quality improvement programme at the regional electricity company is based on common sense and pragmatism – and significantly not on a management consultant's blueprint.

"Satisfied customers mean a satisfactorily profitable business," he says. He firmly rejects the notion that improving quality means higher costs. "In our view, quality is really getting it right first time, identifying what a customer wants and then making sure the customer gets it. Quality is productivity and efficiency by a much more acceptable name."

When it was privatised in December 1990, Southern inherited a huge business franchise covering 16,500 square kilometres with more than 2.5m customers, 8,200 employees and an annual turnover of about £1.6bn.

But the prospect of privatisation had already provided the crucial catalyst for change. The roots of Southern's quality programme go back five years to when the company's management embarked upon a drive to become the most successful of all the – then – area electricity boards.

As part of this effort, the business was reorganised into six operating divisions, each led by a divisional manager and management team. These new teams were asked to come up with proposals for overcoming problems – like staff attitudes and image – which had been identified as "obstacles to success". What emerged was a plan for team building and team briefings which started in February 1987.

By the autumn of 1990, Casley says the company had "reached a stage when we were ready for the next leap forward". He had become convinced that improving the quality of service provided to customers – internal as well as external – was the next challenge.

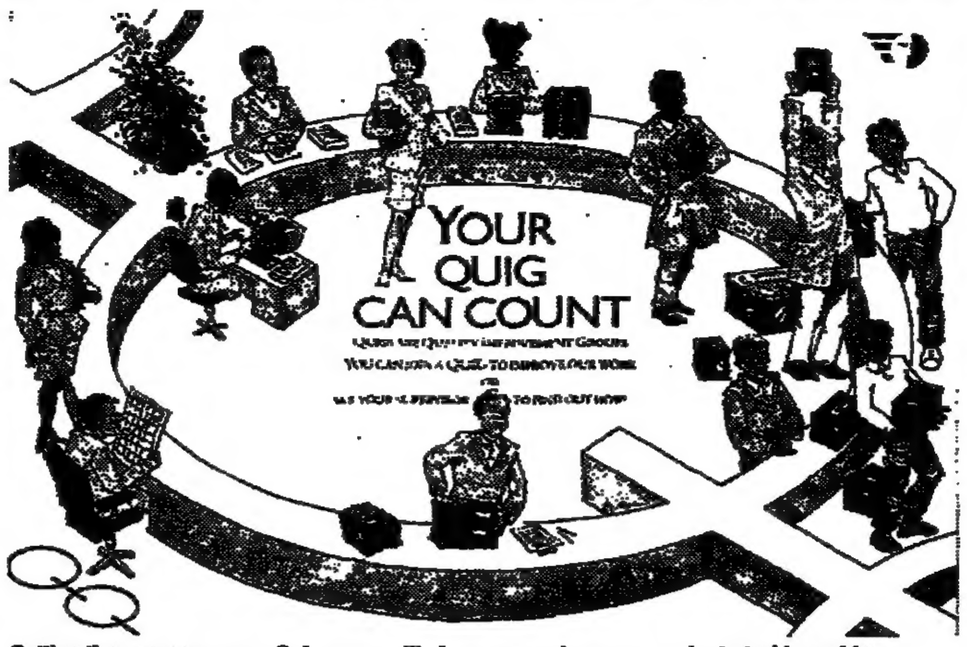
In September that year, Casley contacted all 900 team briefers inviting them to ask their teams to name the two or three things "that drive our customers crazy". The response was overwhelming.

"It was obvious that people were bursting at the seams to do something," says Casley. He was then able to announce that in response to the suggestions,

Customer care

Plugged into the quality circuit

Paul Taylor investigates one company's experience



Getting the message over: Quigs – quality improvement groups – aim to tackle problems

a "quality manager" would be appointed, a quality improvement programme would be adopted and the company would seek registration with Marketing Quality Assurance, the independent UK body which assesses and designates compliance with BS 5750-type quality standards for marketing, sales and customer service activities.

Casley believes strongly that it is important that the workforce "own the quality programme" rather than having it imposed on them from either above or outside.

At the start of December 1990, Edward Hyams, one of Southern's field managers, was appointed quality director. He reports directly to the managing director, makes regular presentations to the executive, and attends the monthly management meeting which always has quality on agenda.

Casley said he decided to seek MQA registration because its approach was "practical, sane, sensible and realistic". Adopting this route provided a framework for the quality programme while Casely exploited an existing friendship with Southern California Edison, the US electric utility, to provide a benchmark and role model.

MQA conducted an initial assessment – asking searching questions about Southern's systems and procedures – an experience Casley describes as like "holding up a mirror to expose the holes". But it was up to Southern to plan and execute its own quality improvement programme.

The "master plan" for the project remains the company's 48-page quality manual which embodies the "mission" or "ultimate quality goal". This aims to ensure that all Southern Electric employees work together to provide a quality service which:

- is profitable
- satisfies our customers
- we are proud to present.

Wall posters and Quest for Quality leaflets introducing the programme carried the mission message while employees were encouraged to join or set up odd-sounding committees like Quigs – Quality Improvement Groups – to tackle problems affecting quality.

To ensure the message got through, there were presentations to all managers and employees on quality, a corporate quality video and articles in the staff newspaper which is sent to everyone's home. Meanwhile the quality management department produced a set of customer service guidelines.

So how were customers made aware of Southern's quality drive?

Among measures adopted to improve the quality of customer service, telephone bureau operators answering customer calls now give their names and, on a sampling basis, customers are called back afterwards to find out if they are satisfied with the results. Service engineers use their mobile telephones to tell customers if they will be late for an appointment.

At the same time, Southern has successfully managed to better the nine guaranteed service standards which Offer, the industry regulator, imposes on the privatised regionals. For example, the regulator requires that customers be given two days notice of disconnection for maintainance but Southern gives a full week.

The company monitors and scrutinises its compliance with the externally imposed standards and with its own 39 business indicators. "Unless an organisation keeps score, it does not know whether it is succeeding," says Casley.

Southern also draws up a comparative league table for its six divisions. "People are very competitive and quality is about being competitive as well," says Casley. Each month a performance report is presented to the management meeting.

Casley has no doubt the quality programme has produced gains, although he emphasises that it is a continuing process. Nevertheless, Southern can already claim some real successes. Symbolising the progress so far, the company was recently presented with only the second registration certificate issued by MQA.

Henry Casley is particularly proud of the comment made by MQA's six assessors who spent a week at Southern preparing their final report: "The considerable progress evidently achieved by the company since the initial assesment carried out by MQA in April 91 appeared to be the result of considerable effective effort by southern electric directors, management and staff at all levels in the organisation, who displayed a high level of commitment to Southern Electric and its quest for quality," the assessors said.

Casley believes that Southern's continuing quest will provide real benefits for customers and shareholders alike, and ensure his company stays competitive in an increasingly deregulated market.

"We are pursuing quality for a good business reason," he says. "People unite behind quality, it is very proactive. It sounds a bit tough but you can use quality as the key driver within the organisation because it brings the people who provide the service face to face with the real world – with what the customer wants.

In line but out of step

At British Telecom there are 5,000, at Philips 4,500, not to mention the 1,000 at BP. All over the country, middle managers are being laid off. Those who still have jobs face challenges through new information technology, quality programmes and fashionable flat management structures.

Yet you would not know it from talking to them. In a survey* of the middle ranks of British management, some 80 per cent say future restructuring would pose no threat to their jobs and 75 per cent complacently expected to remain as managers for their entire careers.

The survey, published today by the British Institute of Management, shows middle managers to be an optimistic lot: three quarters were expecting a promotion shortly, and not one of the 1,000 asked saw demotion as likely.

Almost none of the managers expected their jobs to be changed much by trends towards sub-contracting or greater use of computers. By far the biggest change in work practices was expected to come through Total Quality Management, but even in this area, two thirds of middle managers expected no change.

These replies are sharply out of line with the responses given to the same questions by the employers. Most of them said that middle managers would be bearing a greater burden in the future, but that the work would be done differently, with more emphasis on teams. Pay would increasingly be tied to performance, they said. Employers also expected middle managers to become generalists rather than specialists. As work practices changed, they would no longer be line managers but would start managing specific projects.

The report urges managers to keep their skills up to date, to put emphasis on team work and to press for more career guidance.

**The Future of Middle Management by Malcolm Wheatley. BIM. Tel 0536 204222.*

Lucy Kellaway

CONSTRUCTION CONTRACTS

Roundhill incinerator facility

TAYLOR WOODROW, together with American-based incineration specialist Dorr-Oliver, and GBE Environmental, has been awarded a £15m turnkey project to build a sludge incinerator facility for Severn Trent Water.

Taylor Woodrow's northern construction company will provide all civil engineering and project management skills required for the Roundhill incinerator project in the west Midlands, with Dorr-Oliver contributing the incineration technology and GBE Environmental the flue-gas cleaning expertise.

Located near Stourbridge, the Roundhill plant is one of a new round of orders for fluidised-bed incineration facilities due to be placed by water companies throughout the UK this year.

Work is due to begin on site in the spring and is scheduled for completion at the end of 1993.

Taylor Woodrow is also undertaking water-related projects throughout northern England, including construction of a sewage treatment works at Blackburn Meadows near Sheffield, for which the first stage was successfully commissioned last December.

£40m workload for Willmott Dixon

WILLMOTT DIXON companies have won contracts worth in excess of £40m.

Willmott Dixon Symes has been awarded contracts valued at £11.7m. They are: a £2.4m contract at Hammersmith Hospital for a PACS x-ray unit; a £5.6m extension and refurbishment to 105 Piccadilly, London W1, a Grade II listed building, for Haslemere Estates; and a £2.7m library extension at the Institute of Education in Woburn Square, London WC1.

Nine contracts have been awarded to Willmott Dixon Housing, including a £9m residential development for Victoria Park Housing Association at Parmiter Street, London E2.

Other new contracts being carried out from the company's Bedfordshire headquarters are: a £2.2m contract for flats and houses for Notting Hill Housing Trust at Uxbridge Road, Southall and a £1.6m scheme for Network Housing Association in Willesden.

Willmott Dixon Housing's workload includes a £2m contract to design and build houses and flats for Samuel Lewis Housing Trust in New Romney, Kent; a £732,000 block of flats for Threshold Housing Association at Shipka Road, Balham; and a £676,000 contract for Chichester Dicoesan Housing Association at Hove.

Willmott Dixon Design & Build is currently working on three contracts valued at more than £4m. They include a distribution depot, valued at £1.8m, for Franthom Property Limberty at Rochester and a £1.5m swimming pool and sports complex at the Hurlingham Club in London.

£24.4m highway development in Wales

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded a £24.4m contract to construct a 5.7 kilometre dual carriageway by Gwent County Council.

The new road will replace the existing A472 and will run from Maes-y-cwmmer to Newbridge in Gwent, south Wales. Work will include the construction of 10 bridges and 27 retaining walls as well as all drainage, fencing and all associated works. Extensive cement grouting of old mine workings will be carried out prior to construction.

The contract will begin in late January and is due for completion in January 1994.

£18m projects for Higgs and Hill

HIGGS AND HILL NORTHERN has recently been awarded four contracts together worth £18m. The projects range from a major office development in Leeds to the extension of hospital facilities in Liverpool and Manchester.

A contract has been awarded by GRE Properties for the construction of three office blocks and a car park at The Bourse in the centre of Leeds, adjacent to Leeds City railway station.

The project involves the demolition of existing offices while retaining their facades. Within the facades, office buildings of four and five storeys are to be constructed with steel frames, pitched roofs and brick and block walls.

Aintree Hospitals has awarded the company a design and build contract to create a three-storey accident and emergency unit at Fazakerely Hospital in Liverpool. It will have a part in situ concrete and part structural steel frame with white fair faced concrete block cladding.

The South Manchester Health Authority has placed a contract for an integrated thoracic medicine unit at Wythenshawe Hospital in Manchester.

The building will contain wards, an out-patients department, laboratories and administration accommodation. It will have a steel frame and will be clad in brick. External work includes landscaping and car parking.

Flood alleviation scheme

M.J. GLEESON GROUP's Scottish construction division starts 1992 with the award of two contracts together worth £4.7m.

In Glasgow, Gleeson is to undertake the £3m construction of a 3.5 kilometres relief sewer between Giffnock and Broomley involving some 800 metres of tunnelling.

For Strathclyde Regional Council, the scheme is expected to alleviate flooding from the River Cart.

In Edinburgh, Gleeson will extend the Mackenzie Building in historic Old Assembly Close at a cost of £1.7m to provide more space for the Faculty of Advocates.

Both projects are expected to commence towards the end of January and they are both scheduled for completion in 1993.

APPOINTMENTS

Financial moves

John Holmes, once head of one of the City's biggest integrated securities operations at Morgan Grenfell Securities, has returned to basics: the small institutional broking business of Credit Lyonnais Laing.

For the French-owned broking firm, Holmes is a significant catch; his move underlines CLL's progress over the past year (market share in UK equities has risen by around half – though it is still modest). For Holmes, the move represents a return to what he considers his main strengths – research and sales. From today he is heading the firm's 25-strong institutional sales team.

Having become a managing director of another integrated house in London – Morgan Stanley – after the demise of Morgan Grenfell Securities, Holmes left to start an agency broking firm with Peter Quinnen, former head of James Capel, last year. That, though, came to nothing because of the pair's inability to attract enough research and sales "stars" from other houses.

"We did raise enough capital," Holmes says. "Sadly, in the current economic conditions very few people were prepared to take the risk and start up in business themselves."

■ **Alan Parsonson**, md of PROVIDENCE CAPITAL FUND MANAGERS, is also appointed broker operations director of Providence Capital.

■ **Janis Anderson** is appointed a director of GROSVENOR Venture Managers.

■ **Hugh Dumas** is appointed director of marketing-funds and **Chris Mason** director – commodity indexed transactions.

■ **Julian Entwisle** and **Richard Jelley** are appointed directors of SAMUEL MONTAGU & Co.

■ **Jeff Addison** is promoted to md of SCHRODER Leasing.

■ Even if **Sir Charles Powell** himself has not forgotton how many directorships he has taken on in recent months, almost everyone else must have done so. The latest batch for Margaret Thatcher's foreign policy supremo who moved to the private sector with a vengeance in the middle of last year was announced yesterday – three of them.

Sir Charles, who became a director of Jardine Matheson last August, is now spreading himself liberally around the group. Mandarin Oriental, the luxury hotel operation, Dairy Farm, the food retailer and manufacturer, and Hong Kong Land are all, we are told, in receipt of his services.

Insurance moves

WINDSOR Insurance Brokers, which has been expanding apace since a management shake-up last May, has recruited a team of professional indemnity brokers.

John Knott, Chris Wright, Simon Lakey, Andy Errit and Paul Ciprini are joining Windsor from Alfred Blackmore, also a leader in this area.

Windsor, which derives about 25 per cent of its revenues from broking insurance in the sports industry, has been seeking to diversify under the leadership of Mike Eagles, the chief executive who joined from Citicorp last year.

The group has reduced staff numbers sharply – down to around 160 compared with 250 last year – but has increased its presence in both reinsurance and life and pensions.

■ **John Grant** is appointed general representative of the UK branch of ASSICURAZIONI GENERALI; **Terence Linnegar** becomes secretary/chief accountant.

■ **Norval Bryson** is appointed joint deputy chief executive and joins the board of SCOTTISH PROVIDENT.

■ BAIN CLARKSON has appointed **Terry Clark** and **Robert Dean** as directors of the special risks division and **Paul Crook** and **Stephen Adams** directors of the marine and energy division.

■ **Charles Thompson** is a director and deputy chief executive of SCOTTISH MUTUAL ASSURANCE.

■ **John Hodges** is deputy chairman and **Bryan Ferguson** md of CAMOMILE Underwriting Agencies.

CONTRACTS & TENDERS

INVITATION FOR TENDER

IONIAN AND POPULAR BANK OF GREECE S.A. is interested to purchase a software package for the needs of the Treasury Department and the Dealing Room.

Relative information and terms/conditions of participation in the tender can be obtained by interested parties (or their representatives) from the following address.

IONIAN AND POPULAR BANK OF GREECE S.A.
PURCHASING DEPARTMENT
39, Panepistimiou Street - Athens 102 43 - Greece
Tel.: 30-1-324 6523, Fax: 30-1-323 4502

All proposals must be submitted at the above address by 12:30 on the 21st of February 1992.

IONIAN BANK

TENDER FOR TRANSPORTATION OF CRUDE OIL FROM MIDDLE EAST GULF PORTS TO KARACHI

National Tanker Co., (Pvt.) Ltd., a Government of Pakistan Enterprise, invites offers for transportation of Crude Oil from Middle East Gulf Ports to Karachi, Pakistan under a Contract of Affreightment. The period of the Contract of Affreightment will be one year from 1st April 1992 to 31st March 1993. Total quantity to be transported during the period will be 1.8 million metric tons +/- 10% in cargo lots of 50,000 to 75,000 metric tons at

Companies interested may obtain the tender documents, copy of C.O.A. and detailed terms and conditions on payment of U.S.$ 500 in the form of Pay Order or Bank Draft drawn in favour of National Tanker Co., (Pvt), Ltd, Karachi. The tender documents will be available from any of the following offices, on Weekdays up to 13th February 1992.

1. Chief Executive
National Tanker Co., (Pvt) Ltd.
3rd Floor, PNSC Building
M.T. Khan Road,
Karachi.

2. Regional Representative
Pakistan National Shipping Corporation
450 High Road, Ilford IG1 1UF
London

3. Regional Representative
Pakistan National Shipping Corporation
24th Floor, 21-West Street,
New York, Ny-10006

4. Regional Representative
Pakistan National Shipping Corporation
VF Tien Chu Commercial Building
173-174 Gloucester Road
Wan Chai, Hong Kong

5. Regional Representative
Pakistan National Shipping Corporation
c/o M/s Rais Hassan
PO BOX 7
Dubai

The last date for submission of the tender bids is 18th February 1992 as per time/procedure stated in the tender documents.

Chief Executive
National Tanker Co., (Pvt) Ltd.
3rd floor, PNSC Building
M.T. Khan Road
Karachi-Pakistan

LEGAL NOTICES

HEADLEY FLOWERLAND LIMITED

(IN RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading RG1 1JG at 10.30 am on Thursday, 30 January 1992 for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if :

(a) they have delivered to me at the address shown below, no later than 1200 hours on Wednesday, 29 January 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are to acceptable.

Date: 13 January 1992

J M Iredale
Joint Administrative Receiver

Address to which proxies should be delivered:
J M Iredale, Cork Gully, 9 Greyfriars Road, Reading, Berkshire RG1 1JG

Jabro Limited Jabro Food and Drink (Hayes) Limited Jabro Food and Drink (Luton) Limited

Registered number 1589649, 2487347 and 2487323
Former Company name(s): Jabro Cash 'n' Carry Limited
Trading name(s): Jabro Cash 'n' Carry Limited
Nature of business: Food and drink wholesale
Trade Classification 12
Date of appointment of administrative receiver(s) 7 January 1992
Name of person appointing the administrative receiver(s)
Hill Samuel Bank Limited
J M Iredale and N J Vooght
Joint Administrative Receuvers.
(Office holder no(s) 2104 and 6339
of Cork Gully
Greyfriars Road
Reading
Berks RG1 1JG

ART GALLERIES

WORLD OF DRAWINGS AND WATERCOLOURS Park Lane Hotel, Piccadilly, W1. 22-26 January. 11am-8pm (7pm last two days) 071-491 8808.

THE WEEK AHEAD

ECONOMICS

Spotlight picks out UK activity

INTEREST will focus upon the state of UK economic activity and upon price pressures in Germany this week. There is little sign, however, that economists in major financial markets expect any convincing evidence of economic recovery in Britain or that the Bundesbank has German inflation under control.

In Britain, Wednesday's industrial production figures for November will come under close scrutiny.

News last month of a fall in manufacturing output in October raised fears that Britain might be heading for a "double dip" recession and generated much pre-Christmas gloom about the economy.

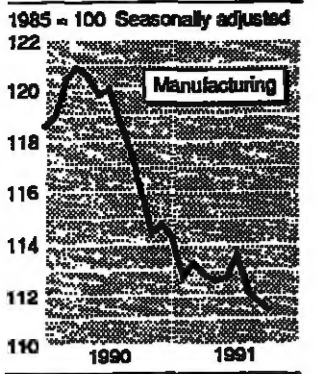
The median of City forecasts from MMS International, the financial services company, *suggests that manufacturing* output will be flat in November and 2.6 per cent lower than in November last year.

The provisional retail sales figures for December are expected to be similarly uninspiring, following today's report from the Confederation of British Industry that the Christmas trade was better than a year ago but that it nevertheless fell far short of shopkeepers' expectations.

German figures this week are expected to show an acceleration in consumer price inflation and money supply growth.

UK output

1985 = 100 Seasonally adjusted



The figures are likely to stiffen Germany's determina*tion to maintain* a tight monetary policy when the Group of Seven finance ministers meet in the US on Saturday.

Among the economic highlights of the week ahead, with the median of city forecasts indicated in brackets from MMS International, are the following:

Today: UK, December provi*sional retail* sales (unchanged on month, up 0.5 per cent on year). France, November industrial production (down 0.5 per cent). Germany, Bundesbank publishes monthly report.

Tomorrow: UK, December M0 narrow money (up 0.2 per cent on month, 2.8 per cent on year), M4 broad money (up 0.3 per cent on month, 5.7 per cent on year). December bank and building society (M4) lending (£2bn). Japan, November machinery orders, December trade balance ($9bn surplus, customs cleared). Canada, December consumer price index non-seasonally adjusted (unchanged on month, up 4.2 per cent on year), CPI seasonally adjusted (up 0.2 per cent on month), November adjusted retail sales (up 0.8 per cent).

Wednesday: US, Western foreign ministers confer in Washington concerning humanitarian aid for states of the former Soviet Union. Fed releases the "tan book" on economy for February 4-5 meeting of the open market committee. December housing starts (1.09m), building permits. UK, November manufacturing output (unchanged on the month, down 2.6 per cent on the year), industrial production (down 0.3 per cent on month), unit labour costs (3 months to November up 5 per cent on year), release of the British Chambers of Commerce Q4 1991 economic survey. Japan, release of the revised November industrial production figures. Canada, November department store sales figures (flat).

Thursday: Germany, Bundesbank council meeting takes place. US, December Treasury budget ($5.5bn deficit), January 11-20 auto sales figures (5.8m), money supply for week to Jan 13, initial claims for the week to Jan 11 (450,000). Japan, November personal consumption expenditure, income. Australia, November housing finance (up adjusted 3 per cent). Canada, November wholesale trade (down 0.1 per cent).

Friday: US, Q4 housing vacancies. December bank credit, commercial & *industrial loans* figures. France, December trade balance (FF1.5bn deficit).

Saturday: Group of Seven finance ministers are due to meet in US.

During the week: Germany, preliminary January cost of living (up 0.8 per cent on month, 4.3 per cent on year). December producer price index (down 0.2 per cent), December M3 from Q4 base (up 5.2 per cent), December import prices (down 0.5 per cent on month, down 1.7 per cent on year). Japan, December money supply figures (up 2.5 per cent on year).

Peter Norman

RESULTS DUE

ALL EYES this week will be on the results of Lonrho on Thursday. Shares in the conglomerate, which has wide ranging agricultural, manufacturing and leisure interests, have dropped from 230p in late November to 150p last night.

Concern centres around the "tycoon factor" - ie. what would happen to the company when it loses its driving force, Mr "Tiny" Rowland, 74.

There are also worries about its high level of debt, difficulties in generating organic growth, and falling mineral prices. Its pre-tax profits for the year ended last September have probably fallen to about £245m, from £273m a year earlier. Some analysts think the dividend may be cut this year from last year's 16p a share.

Interim results from Budgens on tomorrow will be the first news on how things are progressing at the food retailer, where institutional investors installed a new management team last April.

Analysts are expecting pre-tax profits of about £1m, and will be interested to hear how Sunday trading is holding up, now that other food retailers have clambered aboard the bandwagon which Budgens was one of the first to get rolling.

Newman Tonks, Europe's largest maker of architectural hardware, will report on Wednesday a steep drop in pre-tax profits for the year ended October. They are likely to fall to about £15m, from £23.2m a year earlier.

The decline is no surprise given the abysmal UK housing market. The group's strength abroad, coupled with tight management, will have helped minimise the blow. Analysts are pencilling in a slight pick up for the present year.

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Bridport-Gundry, Arts Centre, South Street, Bridport, Dorset, 12.00
Cosalt, Founders Court, Lothbury, E.C., 12.00
Euromoney Publications, Stationers Hall, Ave Maria Lane, E.C., 10.30
Ferry Pickering, Sketchley Grange, Burbage, Leics., 12.00

BOARD MEETINGS:
Finals:
Intercare
Wheway
Widney
Interims:
Resort Hotels

■ TOMORROW

COMPANY MEETINGS:
Apollo Metals, National Motorcycle Museum, *Coventry Road,* Birmingham, 10.30
Dunedin Worldwide Inv. Trust, Dunedin House, 25, Ravelston Terrace, Edinburgh, 12.00
Leeds Group, Post House, Bramhope, Leeds, 12.00
Sanderson Electronics, Grosvenor House Hotel, Charter Square, Sheffield, 12.00
Sycamore Hldgs., Dunkenhalgh Hotel, Blackburn Road, Clayton-le-Moors, Blackburn, 11.00

BOARD MEETINGS:
Finals:
Central Motor Auctions
Interims:
Applied Holographics
BCE
Birse
Budgens
Daejan
Reject Shop
Trevian
Wood (John D.)

■ WEDNESDAY JAN 22

COMPANY MEETINGS:
Gleeson (*M.J.*), *Haredon* House, London Road, North Cheam, Surrey, 12.00
MEPC, Centre Point, New Oxford Street, W.C., 12.00

BOARD MEETINGS:
Finals:
London & Clydeside
Newman Tonks
RCO
Interims:
McKay Securities
Matthew Clark

■ THURSDAY JAN 23

COMPANY MEETINGS:
Airtours, Stanneylands Hotel, Wilmslow, Cheshire, 11.30
Berisford Intl., Stationers Hall, Ave Maria Lane, E.C., *10.30*
Burton, Marriott Hotel, 10, Grosvenor Square, W., 10.00
Dundee & London Inv. *Trust, Royal Exchange,* Dundee, 12.00
Fairline Boats, Peterborough Moat House, Peterborough, 12.00
MY Hldgs., Highstone House, 165, High Street, Barnet, Herts., 10.00
Morland, The Brewery, Ock Street, Abingdon, 12.30
Ranks Hovis McDougall, *Royal Lancaster Hotel,* Lancaster Terrace, W., 12.00
River Plate & Gen. Inv. Trust, Knightsbridge House, 197, Knightsbridge, S.W., 11.30
Whessoe, Armourers Hall, 81, Coleman Street, E.C., 11.00

BOARD MEETINGS:
Finals:
Denmans Electrical
Derby Trust
Lonrho
Macarthy
Interims:
Cook (D.C.)
MITIE
Park Food
Proteus Intl.
Ransom (Wm.)

■ FRIDAY JAN 24

COMPANY MEETINGS:
Western Selection, Honourable Artillery Co., Armoury House, City Road, E.C., 10.00

BOARD MEETINGS:
Finals:
Cardiff Property
Interims:
Osprey Communications

Company meetings are annual general meetings unless otherwise stated.

PARLIAMENTARY DIARY

TODAY

Commons: Local Government Bill, second reading. Proceedings on the Stamp Duty Bill.
Lords: Debate on the working relationship between the Department of Health and NHS medical organisations. Debate on the case against Trident. Further and Higher Education Bill, *report.*

Select committees: Public accounts - subject, Criminal Legal Aid. Witnesses: Sir Clive Whitmore, Home Office, and Mr T. Legg, *permanent secretary* to the Lord Chancellor (Room 16, 4.30pm).
Social Security - subject, operation of pension funds. Witnesses: The Graphical, Paper *and Media Union (Room 15, 5pm).*

TOMORROW

Commons: Asylum Bill, remaining stages.
Lords: *Local Government Finance* Bill, committee stage. Seven Bridges Bill, committee.
Select committee: Trade and Industry - subject, export to Iraq. Witnesses: Walter Somers (Room 15, 10.30am).

WEDNESDAY

Commons: Debate on the Autumn Statement. Motions on Scottish *housing grants.*
Lords: Debate on the Patients' Charter in the NHS. Debate on the balance between capital and management in the community in the 21st century. Question to government on policy towards the South Pacific.
Select committees: Environment - subject, coastal zone protection. Witnesses: representatives from the Marine Conservation Society, the National Trust, the RSPB and *the World Wildlife Fund (Room* 8, 10.30am).
Welsh Affairs - subject, community care - the elderly. Witnesses: Age Concern, Wales; Association of Carers, Retired *Members Association, TGWU* (Room 15, 10.30am).
Energy - subject, consequences of electricity privatisation. Witnesses: Powergen plc, East Midlands Electricity plc, Office of Electricity Regulators (Room 18, 10.40am).
Treasury and Civil Service - subject, Banking codes of practice and related matters. Witnesses: National Consumers Council, Consumers Association, Forum for private business and the CBI (Room 20, 10.45am).
Defence - subject, the TA. Witnesses: Mod officials (Room 16, 10.50am).
Education and Science - subject, student support. Witnesses: Committee of Vice-Chancellors and Principals, standing conference of Principals, Association of Heads of Polytechnic Student Services (Room 5, 4.15pm).
Employment - subject, retraining and redeployment. Witnesses: Open University, BREL Limited, Great Western Enterprise Limited *(Room 20, 4.15pm).*
Health - subject, NHS Trusts. Witness: NHS Management Executive (Room 15, 4.15pm).
Home Affairs subject, police complaints procedures. Witnesses: Home Office officials (Room 8, 4.30pm).
Public Accounts - subject, support of vehicles. Witness: Sir Michael Quinlan, MoD (Room 16, 4.30pm).
Joint Committee Consolidation - subject, Capital Gains Tax bill. Witness: Draughtsman of the Consolidation (Room 3A, 4.30pm).

THURSDAY

Commons: Opposition Day debates on poverty and the government's failure over Ravenscraig.
Lords: Local Government Finance Bill, Committee.

FRIDAY

Commons: Private Members' Bills.

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Asahi Brews. Fltg. Rate Nts. 1996 Y379538.0
Babcock Intl. 1.25p
Brit. Steel 11½% Db. 2016 5.6268pc.
Charter Cons. (Reg) 7p
Do. (Br) 7p
Dewhurst Dent 7% Un. Ln. 1990/2000 3½pc.
Elys (Wimbledon) 9¾% Un. Ln. 1995/98 4⅞pc.
Erskine House 2.3p
Gartmore Euro. Inv. 1.6p
Genesis Chile Fd. Ptg. 70cts.
Hazlewood Foods 2.2p
Marling Inds. 0.3p
Sainsbury (J) 2.4p
Scottish & Mercantile Inv. 1.2p
Do. A N/Vtg. 1.2p
Shandwick 1.18p
Shanks & McEwan 2.24p
Wardell Roberts 1.27p

■ TOMORROW

Amber Indl. 4.5p
Chillington Corp. 0.5p
Flash Sec. Fltg. Rate Nts. (6 mnths) 1993 $3379.16
Fleming Fledgeling Inv. Tst. 6¼% Db. 1988/93 3⅛pc.
Marston Thompson & Evershed 1.34p
Rothmans Intl. B 7.5p
Vosper Thornycroft 4.1p
Wells Fargo 50cts.

■ WEDNESDAY JAN 22

Bimec Inds. 0.67p
Britannia Bldg. Society Fltg. Rate Sb. Nts. 2005 £27964.48
Cosalt 6.5p
Dawson Intl. 2.9p
Dunedin Worldwide Inv. 7.1p
Exchequer 12% 1999/2002 6pc.
Gleeson (MJ) 8.74p
Leeds Grp. 6.75p
Mitsubishi Bank Fltg. Rate Sb. Ln. Ptpn. Cert 2000 $1327.08
Mitsubishi Cap. Gtd. Dual Basis A Bds. 2000 $4120.83
Do. B Bds. $3897.22
Do. C Bds. $3657.64
Mitsubishi Electric 6.875% Bds. 1997 Y171875.0
Nat. Australia Bank 23cts.
Osborne & Little 2p
Sweden (Kingdom of) 13.5% Ln. 2010 (Reg) 6¾pc.
Treasury 12¾% Ln. 1992 6⅜pc.
Treasury 14% 1996 7pc.
Treasury 13¼% Ln. 1997 6⅝pc.
Treasury 11¾% 2003/07 5⅞pc.

■ THURSDAY JAN 23

Apollo Metals 2.8p
BSS 5.75p
Caledonia Invs. 4.8p
Fuller Smith & Turner A 2.25p
MEPC 14.75p
Rolfe & Nolan Computer Servs. 2.3p
Toyo Ink Mfg. 7% Bds. 2002 3½pc.
Woolwich Bldg. Society Fltg. Rate Nts. 1995 £133.54

■ FRIDAY JAN 24

BPB Inds. 4p
Bellway 7p
Britannia Bldg. Society Fltg. Rate Nts. 1996 £268.02
CPC Int. 55cts.
Carrs Milling 2.9p
Co-operative Bank Sb. Fltg. Rate Nts. 2000 £134.32
Danka Business Systems 1.25p
Dundee & London Inv. 8.2p
Eastern Transvaal Cons 7cts.
Faber Prest 4.3p
Fairline Boats 13.85p
Fenner 5.1p
Genfinance Fltg. Rate Nts. 1994 $332.22
Graig Shipping 2p
Do. A N/Vtg. 2p
Greycoat 2.3p
Hartebeestfontein Gold 50cts.
Lloyds Bank Sewr. A Var. Rate Sb. Nts. 1996 £283.88
Marks & Spencer 2.1p
Melville Street Invs. 1.5p
RHM 9.54p
Rexmore 0.7p
Rowlinson Sec. 0.24p
Scapa 1.52p
Sears 12½% Bds. 1996 £91.67
Zandpan Gold 8.25cts.

■ SATURDAY JAN 25

Bankers Tst. New York 70cts.
Debenhams 7¾% Un. Ln. 2002/07 3⅞pc.
Do. 7¼% Un. Ln. 2002/07 3⅝pc.
Manufacturers Hanover 47cts.
Treasury 12% 1995 6pc.
Treasury 13¾% 2000/03 6⅞pc.

■ SUNDAY JAN 26

Treasury 7¾% Ln. 2012/15 3⅞pc.
Treasury 2½% I.L. 2016 £2.0444

ARCHITECTURE

New life for old buildings

Colin Amery discusses the Georgian Group's plans

Change at the expense of character in England's smaller towns was the theme of a symposium held in London last week under the auspices of the Georgian Group. The Group has spent the last two years carrying out photographic surveys of market towns with the object of presenting a clear picture of their architectural condition as they cope with the arrival of by-passes, shopping malls, supermarkets, and businesses.

The fruit of these photographic labours can be seen in an exhibition, *The Future of the English Town* sponsored by the Department of the Environment and the Monument Trust. The exhibition, which will travel, can currently be seen at The Nash Room, 12, Carlton House Terrace, London, SW1 until February 9 (10am to 5pm Monday to Saturday).

Naturally you would expect an outfit like the Georgian Group to be concerned with conservation and preservation, but the Group has recently effectively widened its concerns to cover planning and the architectural debate. It was something of a breakthrough to have at the symposium the incumbent President of the Royal Institute of British Architects, Richard MacCormac, who spoke effectively to the gathered conservation officers about new buildings.

It was John Fidler, the head of architecture and conservation at English Heritage, who presented the facts about the state of protection of historic towns. Although developers may feel otherwise, it is worth noting that there are only 438,000 listed buildings in England and some 7,500 conservation areas. The total number of listed buildings represents only six per cent of the whole national building stock. As Fidler very wisely said, these listed buildings represent a finite cultural resource, and one that cannot be placed in a museum. In each of the 951 recognised historic towns in England we see a palimpsest of the nation's history. As three listed buildings a week are quite legally demolished it can be seen how vulnerable our historic towns are. At this particular time it is the edges of towns that are easily eroded for car parks, supermarkets and roads.

So often it is the multi-storey car park that delivers the *coup de grâce* to the historic town but there are also more subtle threats. The decline of residential occupancy at the centres of small and large towns causes considerable loss and damage. There are many provincial towns where the betting shop, the building society and the estate agent are practically the only occupants – and the estate agents are waning fast.

There is one project which is not well enough known that is trying to do something to increase residential occupancy in town centres. The "Living over the Shop" project funded by the Joseph Rowntree Foundation and the Department of the Environment aims to encourage the residential use of vacant space above shops. It was a change in the law in the 1988 Housing Act that made it possible for Housing Associations to to own part-commercial property. This important change means that owners of commercial properties with vacant upper floors can now grant business tenancies to housing associations which will allow vacant possession to return the owner by a specific date. The Project offers an information service to local authorities and owners and is working closely with the Housing Corporation.

A pioneer project will open soon in Stamford, Lincolnshire where four upper stories of a 1790 listed building, which have been empty for 20 years, will be let through a housing association as studios for single people on the local authority housing waiting list. One small change in the law; one benevolent charity and some lateral thinking, shows how a small start can be made to rejuvenate historic town centres.

We are at the end of a decade of market led redevelopment and the symposium concluded that now is a good time to stand back and consider the best ways of achieving a solution to the deteriorating condition of town and city centres. Is it true that the state of our cities is a direct result of the rural bias of the planning system? There are also a multitude of organisations for the protection and preservation of the countryside but, as a speaker from the Civic Trust said, "there is no Council for the Protection of Urban England." Urban England is not an image that comforts any Englishman abroad in the way that he dreams of the Cotswolds when he is in the Sahara. Is anti-urban sentiment so strong in England that there is no intellectual impulse behind the whole subject of urban design ?

It was gratifying to hear the President of the Royal Institute of British Architects say that the beginning of an urban renaissance depended on analysing towns in terms of organisation, use and scale. There is no point in looking at towns as places for the uncontrolled debate about architectural style. Towns have every opportunity today of being places where people live to enjoy the virtues of civilisation. We can drive to shop just once a week to the out of town stores while our historic town centres are rejuvenated for residential use. The corner shop and the specialist store could occupy refurbished historic buildings with low tech businesses with computer networks occupying the formerly unused upper floors.

The present slow period of recession and lack of redevelopment offers a wonderful chance gradually to enhance our historic towns. Newbury, Frome, Melbourne, Castle Donnington, Cirencester, Beverley, Truro, Berwick, Wisbech, Kendal,Chesham, Newark, Farnham, Knutsford, Chippenham, Richmond and Wotton – the litany of names of towns in the exhibition is just the tip of the glorious urban vision waiting to be rediscovered.

Cheltenham happily accommodates its shopping mall

The spontaneity of 'Cher Poupoule'

Writing letters was almost as much a part of Poulenc's life as composing music. "He wrote" said his great friend, exact contemporary and recital partner, the singer Pierre Bernac, "with disconcerting speed, and his style was as alive, personal, unpredictable and spontaneous as his conversation". And one might add, as his music.

Not unnaturally his friends were eager for letters from their "cher Poupoule". Even when he was doing little more than provide charming entertainment, his music was never impersonal or pretentious. After 1936, when he underwent some kind of mystical experience at Rocamadour (which led to the choral *Litanies à la Vierge Noire*), he wrote on a deeper level not always recognised because he so blithely ignored current fashions. The impudent cheerfulness of the earlier years, however, was not banished.

The letters here printed, most satisfyingly translated and edited, with admirable notes, by Sidney Buckland, continues a project started by the singer Winifred Radford, who knew Bernac and Poulenc well. In 1967 a smaller selection edited by Hélène de Wendel was published in Paris. This is now out of print. Mrs Buckland has added many unpublished letters, increasing the total from 224 to 350, restoring passages formerly omitted. Soon after Poulenc's death it was understandable that some references to his private life should be cut out, less so that passages should disappear in which he endearingly described the pleasure his new works gave him. Like many artists, Poulenc was inclined to prefer his latest work above all the others. He was not always right, but the childish enthusiasm was part of the man.

The private disclosures hold little joy for the prurient. He confided in certain friends, male and female, with unaffected frankness and candour. A young mechanic, Raymond, became his driver and his lover, and remained (with his wife) as a valued part of Poulenc's entourage at Noizay in Touraine. Later there was a young man from the Midi called Lucien who caused much emotional distress, increasing to breakdown-point when Lucien died of tuberculosis. At this stage Poulenc's grief became so obsessive as to draw a sharp but dignified rebuke from the long-suffering Bernac, as always "counsellor and conscience".

These friendships (later still there was Louis, a dashing regular Army sergeant) were, whether they knew it or not, intimately bound up with the composition of various works – Raymond was "the secret", as Poulenc put it, of the opéra-bouffe *Les Mamelles de Tirésias* and of the Eluard cantata *Figure humaine*; Lucien of the *Stabat Mater* and the *Dialogues des Carmélites*; and Louis of the Cocteau opera *La Voix humaine*. In 1946 Poulenc had a daughter, whose mother was a friend of many years' standing.

Mostly, but by no means solely, in letters to Bernac, observations about music and musicians are many and fascinating. Poulenc's generosity to younger colleagues is striking. His appreciation of two composers of very different stamp, Messiaen and Boulez, is genuine if qualified (it did not necessarily extent to their acolytes). There is a surprising reaction to a usually admired senior figure, Paul Dukas, whose influence on Messiaen Poulenc found "irritating" – "Saint-Saëns's method could guide a Ravel, for example. But what Dukas uses is a method based on other methods." He preferred Prokofiev to Shostakovich, whom he likened to "Brahms: everywhere and all the time". In the background there is the wise, benign figure of Darius Milhaud and the less positive, sympathy-demanding form of Henri Sauguet.

Prompt as he was to express pleasure in his own music, he waited urgently for the opinion of friends he trusted (Bernac most of all). When Charles Koechlin, his former and greatly respected teacher, compared the new ballet *Les animaux modèles* unfavourably with the much earlier *Les Biches*, Poulenc was hurt. Judging from the concert suite, Koechlin surely had a point. *Les Biches*, so successful in blending near-pastiche with "modern" (1924) sophistication and syncopation, so disarmingly, insidiously tuneful and yet so sad, is a small-scale masterpiece which in its own kind Poulenc could not surpass (it needs the rowdy chorus parts, not often I think done in the theatre but included in the Markevitch/Monte Carlo and Prêtre/Philharmonia recordings).

There is plenty about singers, singing and the setting of

Ronald Crichton reviews Poulenc's other writings

words. "Essentially I am a man of song in all its forms". He preferred contemporary poets, Apollinaire and, above all, Paul Eluard – "It is really Eluard who has brought out the best in me". He liked to hear poets read aloud their own work and to recall, when it came to setting their words, the cadence of their voice. He had a gift for describing singers, Bernac of course but others too, amateur as well as professional, among them the beloved Denise Duval who did much to cheer Poulenc's later years.

Throughout the letters one senses an unresolved question – Paris or the country? Though he often enjoyed his house in Touraine he insisted he was not a Tourangeau – his childhood was spent happily at Nogent on the Marne on the Eastern outskirts of Paris, where the bal musette music had an enduring influence on his style. Was he ever, except through his social life, in the fullest sense a Parisian? Of his religion he said "I have the faith of a country priest". There remained something countrified, even doggy, about him – in his features, in his way of barking stories and sallies, in the tail-wagging, trotting allegros and the lyrical-sentimental effusions interrupted by gruff, canine explosions.

Yet he loved New York and he seemed at home in England. He would have come to Aldeburgh more often to perform with Benjamin Britten if he hadn't disliked the sea air. In the programme of a Festival tribute after his death, Britten and Peter Pears wrote the following – "One of his most adorable qualities was that he was incapable of being anything but himself – a delightful friend and a lovable musician."

"Poupoule". Francis Poulenc. "Echo and Source". Selected Correspondence 1915-1963. Translated and edited by Sidney Buckland. Gollancz £30, 448 pages.

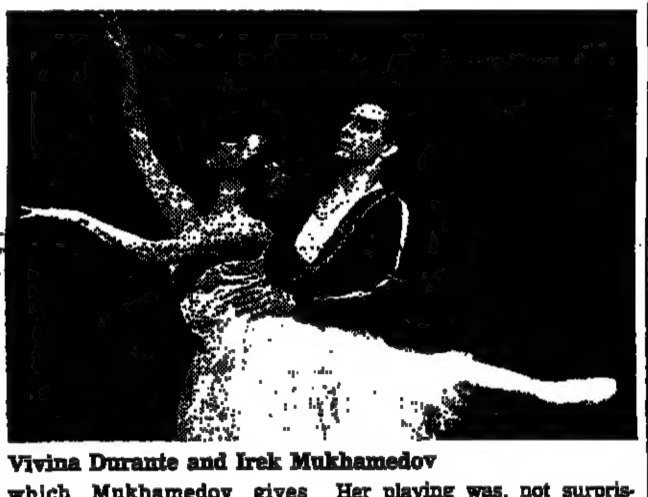
Giselle

COVENT GARDEN

On Saturday night, Viviana Durante made her debut as Giselle and, fortunate young ballerina, had the inestimable advantage of Irek Mukhamedov as her Albrecht. It is in no way to diminish the merits of Durante's performance to say that, without Mukhamedov, her interpretation would have seemed less touching, for he, more than the staging, established the world in which Giselle must love and suffer and become a protective wraith.

Mukhamedov, as we know from his Bolshoy appearances, is a great Albrecht. The sustaining thread of his reading is a passion for Giselle. This Albrecht is not playing with Giselle's feelings: his every moment with her - as peasant girl or wili - reasserts that intensity of feeling which he shows her (and us) early in Act 1. Soon after their first tender greetings. Albrecht looks intently at Giselle and, miraculously, Mukhamedov conveys the gust of passionate love that sweeps over the heedless aristocrat at this moment, justifying for him this village dalliance. He raises his arm and swears fidelity (Giselle, instead, proposes the flower test) and the rest of the drama is explained thereby.

Because Mukhamedov is a totally expressive artist - no step meaningless, no gesture unfeeling - every least nuance of emotion is made clear, ardent, poetically beautiful. Remorse, despair at his own folly in the mad scene - to which Mukhamedov gives intense pathos by his involvement in Giselle's torment - and his ability to suggest that each appearance by the wili Giselle deepens his love for her, establish a world of emotion which sustained Durante's reading as surely as did his partnering. The dance blazed in the forest scene, noble and grand in outline as in expressivity. Mukhamedov's Albrecht is a peerless incarnation of Romanticism. His exit in Act 1 - turning back to gaze at the dead Giselle - was worthy of Géricault. His pose,flower held aloft, as the ballet ends, would have inspired Berlioz.



Vivina Durante and Irek Mukhamedov

And in nothing is this marvellous interpretation selfish. The generosity and dedication that have marked Mukhamedov's every role gave Viviana Durante an ideal framework.

Her playing was, not surprisingly for so gifted a dancer, whole-hearted, intelligent. She already commands much of the role: her account of both acts was technically fluent, felicitous, and her view of the peasant girl was quickly responsive to feeling. A young ballerina's first mad-scene is often burdened with too much drama - the Opera House production, with its concern for detailed ensemble playing, encourages this - and Durante will soon be able to find simpler means, but the lines of her reading are true, and the wili was given a vaporous and touching gravity, the dance floating, delicately poised. We have much to expect from this first performance.

Clement Crisp

An Affair with Numbers

BARBICAN HALL AND RADIO 3

At the weekend, the BBC mounted an almost compendious survey of Alban Berg's music in four concerts. "Almost compendious", because his operas *Wozzeck* and *Lulu* were represented here only by the concert-suites Berg drew from them; but nothing else of significance was omitted. Writing at half-time in this mini-festival, I can say already that it is a signal success: excellently planned and beautifully performed, with the great bonus (for the audience in the hall) of George Perle's searching programme-notes.

Among major composers of any period, there is scarcely another whose *oeuvre* adds up to so few hours and minutes except, of course, Anton von Webern, Berg's own colleague and fellow Schoenberg-disciple. Webern, however, took early to "miniature" forms, or more exactly to composing atonal pieces of extreme, stripped-down concision. Berg wasn't a natural miniaturist at all; as we heard on Friday and Saturday, his experiments with very brief pieces went no further than those for clarinet and piano, op. 5, and his op. 4 songs (with a disproportionately huge orchestra) on tiny poems by Peter Altenberg.

When Webern came to embrace Schoenberg's method of composing with "twelve-note rows", his music expanded just a little: movements a few minutes long, instead of a few seconds. Meanwhile Berg was developing his own idiom in works on a much more substantial scale, in which gingerly Schoenbergian experiments figured only here and there. Except for a single song from 1925, only his very last works he died in 1935, in his fifty-first year are committedly "twelve-note" music, and then in a style that constantly infringes the austere ground-rules of the Schoenberg method.

What really happened, as the first two BBC concerts let us hear quite clearly, was that Berg developed his own musical language highly chromatic, highly calculated, potent and poignant without forcing it into Schoenberg's mould. He espoused a version of "twelve-note" composing, quite individual, only when it could accommodate his own expressive idiom without cramping it.

There is no sharp break between the hyper-sensitive, post-Romantic songs of his earliest, pre-Schoenberg years (which Arleen Auger and Alan Opie sang on Friday with acute sympathy) and the intricate density of his mature works, but merely a steady acquisition of technique and a unique composer's voice.

After Friday's little banquet of early songs, the clarinet pieces (in which Antony Pay and Ian Brown were impeccably subtle) and Berg's reduced version of the Adagio from his later Chamber Concerto, Saturday's BBC Symphony concert was a sumptuous affair. Each work bore the marks of superb preparation by the conductor Andrew Davis. We had the 1912 Altenberg songs ravishingly sung by Yvonne Kenny, their monster orchestra handled with the utmost delicacy; and the orchestral Three Pieces op. 6, the *Wozzeck* Suite and the great Violin Concerto, Berg's last completed work.

All the performances were rich in insights, and they were precisely exquisite almost to a fault. Davis dwelt lovingly over the concerto, in perfect tune with Ulf Hoelscher's chaste, tender account of the solo role, at some cost to the dramatic muscle of the score; but for once, at least, the result was so lovely to hear that one barely missed a tougher thrust.

If the climactic "catastrophe" in the third movement was under-powered, the final Adagio was still extraordinarily moving, and rendered transparent far beyond any run-of-the-mill treatment. In the *Wozzeck* movements, the innate gentility of Miss Kenny's soprano did not make her a natural Marie (the ruined heroine of Büchner's text), but she captured the felt anguish marvellously, and Davis brought off the famous summing-up "interlude" with searing conviction. The Three Pieces ended the concert with all the right baleful force, still with refined control and sharp understanding.

David Murray

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Godfried Hoogeveen plays cello sonatas by Rakhmaninov, Brahms and Britten. Tomorrow: Netherlands Student Orchestra and vocal soloists in a programme of operatic and orchestral music by Tchaikovsky, Prokofiev, Wagner and Ravel. Wed at 12.30: Riccardo Chailly conducts the Royal Concertgebouw Orchestra in a free lunch concert. Wed, Thurs, Fri: Chailly conducts Tchaikovsky's Fifth Symphony. Sat: Richard Hickox conducts the Netherlands Chamber Orchestra, with soprano Amanda Roocroft. Sun: Lazar Berman (6718 345)
Muziektheater 20.00 Louis Langrée conducts Offenbach's Les brigands. Runs till Jan 29, with next performances on Wed and Sun afternoon, Fri and Sun evening: Nederlands Dans Theater (6255 455/credit card bookings 6211 211)

BARCELONA

Gran Teatre del Liceu 21.00 Song recital by Raina Kabaivanska. Wed and Sat: Mark Ermler conducts Tchaikovsky's Queen of Spades (412 1466)
Palau de la Musica 21.00 Heinz Holliger conducts the Chamber Orchestra of Europe in Schoenberg's Verklärte Nacht, Ravel's Le Tombeau de Couperin and Milhaud's Le boeuf sur le toit. Tomorrow: Orpheus Chamber Orchestra. Thurs: Gennadi Rozhdestvensky conducts the Moscow State Philharmonic Orchestra. Fri, Sat and Sun: Garcia Navarro conducts the Barcelona City Orchestra in a concert performance of Granados' Goyescas (268 1000)

BERLIN

MUSIC
Schauspielhaus 20.00 Mstislav Rostropovich conducts the Bamberg Symphony Orchestra in Glinka's Ruslan and Ludmilla overture, Shostakovich's First Cello Concerto (soloist Wendy Warner) and Tchaikovsky's Fourth Symphony. Tomorrow: Jia Lu conducts Beethoven and Dvorak. Fri: Hans Rogner conducts Sutermeister's Te Deum and Fauré's Requiem (East Berlin 2272 261)
SFB Grosser Sendesaal 20.00 Nikolaus Harnoncourt conducts the Berlin Radio Symphony Orchestra in music by Haydn and Mozart (3027 242)
Deutsche Oper 19.00 Stefan Soltesz conducts Günter Krämer's production of Die Zauberflöte, also Sat. Tomorrow: Christopher Bruce ballet evening. Wed: L'elisir d'amore. Thurs: Tosca. Fri: Aida. Sun: ballets by Balanchine, Roland Petit and Minkus (West Berlin 3410 249)
Staatsoper unter den Linden 19.00 Egon Bischoff's production of Giselle, also Fri. Tomorrow: Die Zauberflöte. Wed and Sat: Madama Butterfly. Thurs: Der fliegende Holländer. Sun: Eugene Onegin (East Berlin 2004 762)
Komische Oper 19.00 New production of Hans Werner Henze's ballet. Tomorrow: Der Freischütz. Wed: Entführung. Thurs: Siegfried Matthus conducts his own music. Fri: Prokofiev's ballet Romeo and Juliet. Sat: Cav and Pag. Sun: Le nozze di Figaro (East Berlin 2292 555)
THEATRE
West Berlin: Sweet Charity, the musical by Cy Coleman, Dorothy Fields and Neil Simon, starts previewing at the Theater des Westens on Fri (3190 3193). The Schiller Theater repertory this week includes Schiller's The Robbers tonight, Lessing's Minna von Barnhelm tomorrow and Molière's Le Malade imaginaire on Wed (3195 236).
East Berlin: this week's repertory at the Berliner Ensemble includes a Kurt Weill evening on Wed and The Good Person of Sezchuan on Sun (2827 712). The Deutsches Theater has Kleist's Das Käthchen von Heilbronn on Wed, an adaptation of Bulgakov's A Month in the Country on Fri and Lessing's Nathan the Wise on Sat (2871 225), with Ibsen's John Gabriel Borkman tomorrow and GB Shaw's Heartbreak House on Thurs at the Kammerspiele (2871 226). The Maxim Gorki Theater repertory currently includes plays by Feydeau, George Tabori and Chekhov (2082 748), and the Volksbühne is showing Schiller's The Robbers tomorrow and Sat, Büchner's Woyzeck on Fri and Chekhov's On the High Road on Sun (282 3394). The Metropol-Theater has performances of Jesus Christ Superstar daily except Wed, Thurs and next Mon (2082 715).

MILAN

Teatro alla Scala 20.00 Wolfgang Sawallisch conducts the Orchestra of La Scala in Britten's Young Person's Guide to the Orchestra, a suite from Stravinsky's Pulcinella, and Mendelssohn's Scottish Symphony. This week's other performances at La Scala are of Auber's opera Fra Diavolo, which can be seen tomorrow and Fri (7200 3744)

NEW YORK

Blue Note Jazz Club and Restaurant
Tonight's shows (21.00, 23.00 and 01.00) feature Charles Fambrough. The rest of the week is devoted to the third programme in Dizzy Gillespie's Blue Note Diamond Jubilee series: entitled To Bird, With Love, Dizzy pays tribute to Charlie "Yardbird" Parker, who along with Dizzy, pioneered the bebop movement in jazz. Dizzy will join the following guest saxophonists: Hank Crawford and Vincent Herring (tomorrow), David "Fathead" Newman and Ron Holloway (Wed), Clifford Jordan and Antonio Hart (Thurs), Benny Golson and David Sanchez (Fri), Jackie McLean and Paquito D'Rivera (Sat) and Nathan Davis, Tim Warfield and Mario Rivera on Sun. (475 8592)
Avery Fisher Hall Tomorrow's New York Philharmonic concert is conducted by Leonard Slatkin and features music by Claude Baker, Mozart and Dvorak. On Thurs, Charles Dutoit opens two weeks of Philharmonic concerts with a programme including Szymanowski's Second Violin Concerto (soloist Chantal Juillet) and Falla's Three-cornered Hat, repeated on Fri, Sat (875 5030)
Metropolitan Opera
Tonight at 20.00, Samuel Ramey sings the title role in Don Giovanni, also Wed and Sat. Tomorrow: L'elisir d'amore. Thurs: Turandot. Fri: Der fliegende Holländer (362 6000)

PARIS

Palais des Congrès
The Kiev Opera gives performances of Mazeppa tomorrow, Wed and Thurs, and Khovanshchina on Fri, Sat and Sun (4068 0006)
Palais Garnier
The Ballet de Marseille opens a two-week season on Wed with Roland Petit's production of Sleeping Beauty (4017 3535)
Opéra Bastille
Tonight's performance is the last this season of Yannis Kokkos' production of Boris Godunov. Wed, Thurs, Fri in the Amphitheatre: Claire Gibault conducts Myriam Tanant's Opéra de Lyon production of Mozart's Apollo et Hyacinthus (4001 1616)
Théâtre des Champs-Elysées
Tonight, tomorrow, Wed and Sat: dance gala. Thurs: Georges Prêtre conducts the Orchestre National de France (4720 3637)
Châtelet
Tonight at 20.30: Ivo Pogorelich plays Chopin. The rest of the week is devoted to West Side Story (4028 2840)
Opéra Comique
Jean-Marie Villégier's 1986 production of Lully's Atys, conducted by William Christie, returns tomorrow for a two-week run (4286 8883)
Salle Pleyel
Gunther Herbig conducts the Orchestre de Paris on Wed and Thurs in music by Brahms, Schumann and Shostakovich (4563 0796)

VIENNA

MUSIC
Staatsoper 19.00 Bruno Weil conducts Le nozze di Figaro, with a cast including Lyubov Kazarnovskaya, Boje Skovhus, Anton Scharinger, Gabriela Sima and Heinz Zednik, also Fri. Tomorrow: Madama Butterfly. Wed and Sun: Tännhauser. Thurs: ballet triple bill. Sat: Tristan und Isolde (51444 2960)
Volksoper 19.00 Così fan tutte. Tomorrow and Sat: La Cage aux Folles. Wed: Prokofiev's ballet Cinderella. Thurs: Merry Widow. Fri: Der Graf von Luxemburg. Sun: Das Land des Lächelns (51444 3318)
THEATRE
Vienna's English Theatre (Josefgasse 12) has performances of Willie Russell's comedy Educating Rita daily except Sun till Feb 1 (402 1260). This week's repertory at the Akademietheater includes Brecht's Baal (Wed) and The Good Person of Sezchuan (Fri), plus Maxim Gorki's 1905 play Children of the Sun (Sun). The Burgtheater has George Tabori's Babylon Blues on Tues and Thurs (51444 2218)
● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

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1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - tglobal business report with James Bellini
2130-2200 (Thurs) Talking Heads - International Issues

Sky News
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SATURDAY

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0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

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Monday January 20 1992

Easing the German pain

THE Bundesbank's influence on monetary conditions throughout Europe is reasonably clear-cut; but the way in which it makes its decisions can be more obscure. The headline-making ½ percentage point increase in the German Lombard rate before Christmas was pushed through by the regional members of the Bundesbank council. This was against the advice of its president, Mr Helmut Schlesinger, who – more alive to the international sensitivities – favoured a more restrained increase of just ¼ per cent.

Not merely because of the Bundesbank's occasional ability to surprise, there is nervous speculation about when it will start to reduce rates again. Having helped bolster European growth during 1989-91 as a by-product of its unification-induced boom, Germany is now accused of choking neighbouring economies with its tight monetary grip. In the wake of the recent easing of US and Japanese monetary policy, the pressure on the Germans to cut rates will increase at this weekend's meeting of finance ministers of the seven largest industrialised countries.

As the German economy slows over the next few months, the Bundesbank will certainly have leeway to lower interest rates. First, however, some crucial conditions will have to be fulfilled. After last year's pay settlements of 7 per cent or more, the Bundesbank is right to be worried about high 1992 pay claims. The interest rate hike was partly an attempt to call the trade unions to order, and there are small signs that it may be working. The IG Metall metalworkers' union last week acknowledged the inappropriateness of 10 per cent-plus pay claims, and a 5 to 6 per cent pay deal looks just possible in the steel sector, without the threatened strike.

Exaggerated deals

Of still greater significance will be the outcome in the public sector, where unions have lodged double-digit claims reminiscent of the exaggerated deals at the beginning of the 1970s, which sparked off the Bundesbank's most savage post-war tightening to date.

Aggressive demands of employees in the public sector may be an understandable reaction to Chancellor Helmut Kohl's botched handling of last year's tax increases. But the unions must understand that, unless they moderate their behaviour, they will bear a good deal of the responsibility for prolonging the Bundesbank's squeeze. For the public service workers union, OTV, putting workers out of jobs in interest-rate sensitive industries both within and outside Germany is hardly a contribution to international solidarity.

Basic criticism

Yet the main blame for Germany's monetary strains falls on the government. The Bundesbank has recently scaled back its carping at Bonn's failure to put post-unity financing on to a sounder footing through spending and subsidy cuts, partly because its rhetoric had so little effect during 1990-91. But distressingly little has happened to invalidate its basic criticism: that large public sector deficits are forcing the central bank to make too much of the running in the bid to control inflation.

The core public sector deficit – running at 4 per cent of gross national product – is still too high, especially as the economy is slowing significantly. Of still greater concern is the proliferation of debt accumulating in off-budget financing vehicles such as the Unity Fund, as well as heavy burdens caused by support for exports to the former Soviet Union. Once the temporary 12-month income tax surcharge runs out this summer, Bonn is relying on a VAT rise next year to restrain the deficit. But tougher action will be required to meet the challenge.

In post-war economic cycles, the Bundesbank has waited on average seven months before easing interest rates from their peaks. This time round, the rest of Europe has good reason to expect that the Bundesbank will want to move sooner. But foreigners' demands for action should be lodged with Mr Kohl, not Mr Schlesinger. Unless Germany brings its newly enlarged economy into better balance, it will not only punish its neighbours, but will also suffer itself.

Competition in electricity

THE UK electricity industry has borne out the predictions made at its privatisation a year ago. Both the two generating companies and the regional distributors stand accused of anti-competitive behaviour.

National Power and PowerGen, it is persuasively argued, are using their dominant market position to manipulate prices in the wholesale market for spot electricity, known as the pool. Regional distribution companies are accused of making excess profits, and of showing insensitivity in awarding large salary increases to their directors. The Labour party, which has on the whole avoided promises to renationalise utilities, recently said it would renationalise the national grid and reimpose a measure of government control over the power market.

Do these rumblings suggest that outside intervention is required, or are they merely teething problems, as a large and complex industry adjusts to its new existence?

The answer is the former. The two large generators account for 65 per cent of the country's capacity, which is too much. This stems from the government's original wish to create generating companies large enough to own the nuclear power industry – which it no longer proposes to privatise. The big two have decisive leverage over the price of electricity set in the pool. They will also in future have a critical influence on the price of UK coal, and thus the shape and size of British Coal.

Since the power generators are not directly regulated, Britain in effect has a largely unchecked duopoly, with too much power both over consumers and related industries, such as coal.

Sceptical

At the distribution end of the market, the case is less clear-cut. Although the regional companies enjoy monopolies in their local franchise markets which are providing them with a strong cash flow, the intention is that these monopolies will be steadily whittled away over the next six years. Consumers, however, are right to be sceptical whether these powerful regional bodies will ever face sufficient real competition to justify their release from anything but the tightest regulation.

But what action should be taken? Prof Stephen Littlechild, the electricity regulator, says the industry should be given five years to settle down before dramatic changes are made. Accordingly, he has proposed mild reforms in the pool arrangements, while reserving the right to make a reference to the Monopolies and Mergers Commission.

Running dogfight

Some think that Prof Littlechild should bare his knuckles, as his counterpart in the gas industry has done in recent months. The problem, as we have seen in the telecommunications and gas industries, is that a running dogfight between regulator and utility may produce *ad hoc* improvements in competitive conditions, but does not automatically lead to considered structural reforms of the kind needed in the electricity industry.

Apart from the central questions of prices and investment criteria, the electric power industry involves a particularly complex mix of issues. What allowance should be made for environmental requirements in pricing regimes? Should the need for a diverse fuel supply modify economic calculations in the case of coal and nuclear power? What is the correct framework for setting the contract price of UK coal when British Coal's contract with the generators comes up for renewal next year? Is the recent "dash for gas" by generators likely to look as wise at the end of the decade as it does today?

Because the UK's power industries were privatised in such a muddled and piecemeal fashion, and because of the gaping holes in the regulatory regime, it is entirely unclear on what basis these and other questions are to be answered. The danger is that they will be determined by the instincts of politicians, which is how most of the problems were created in the first place. A full MMC investigation is becoming a matter of some urgency.

I have never faltered, and I will never falter, in my belief that enduring peace and the welfare of nations are indissolubly connected with friendliness, fairness, equality and the maximum practicable degree of freedom in international trade.

The draft final act of the Uruguay Round offers a unique chance to liberalise trade. **Martin Wolf** argues that it must not fail

The Gatt makes its last stand

How remote did achievement of Cordell Hull's dream seem when he published these words in 1937. How fortunate that the US secretary of state, the father of the General Agreement on Tariffs and Trade, persisted. For now, in 1992, his dream is on the verge of achievement. With the Uruguay Round of multilateral trade negotiations reaching its climax, a liberal trading order, covering virtually all countries and almost all trade flows, is within the world's grasp.

Yet some who should know better seem incapable of seeing what is at stake. Others who do know better seem incapable of meeting the challenge. But without a dynamic trading system neither the prosperity of the rich nor the hopes for prosperity of the poor can be ensured.

Never have the fundamental principles of the Gatt – liberalism, non-discrimination and the international rule of law – been more enthusiastically embraced. From Mexico City to Moscow, liberalisation is the order of the day. The Gatt secretariat announced last April that at least 45 countries had liberalised their trade policies since the start of the Uruguay Round, which has also seen active participation by many developing countries that had previously insisted on unreciprocated benefits.

Unfortunately, a comparable commitment is not being shown where it matters most: in the US, the European Community and Japan, which account for over half of world exports. Having lectured so long on the need for all countries to participate in the liberal international trading system, these countries seem unwilling to do what is needed to stop it foundering.

The US has abandoned its long-standing commitment to non-discrimination and, as was demonstrated by President Bush's sales trip to Japan earlier this month, is increasingly addicted to bilateralism and managed trade. The EC has failed to rise above the twin imperatives of its corrupt farm politics and incompetent farm policies. The Japanese seem incapable of putting aside their attachment to geriatric farmers and gerrymandered politics.

Yet it is on these hobbled giants that success depends. Faced with the *démarche* from the Gatt's director-general, Mr Arthur Dunkel – the Draft Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, released just before Christmas – they must now choose between a draft that all find unsatisfactory and no conclusion at all. Mr Dunkel has proposed Easter 1992 as the date for a conclusion, including to the market access negotiations. While that deadline could be broken, as too many have been before, the price would be US ratification after the forthcoming elections. The outcome agreed in Geneva would then become a political football.

Contrary to some unscrupulous comment, Mr Dunkel's draft was not the product of his fevered imagination. Except for central parts of the proposal on agriculture, where no agreement could be reached, it is the fruit of five years of painstaking negotiations among 108 participating countries. It is attractive fruit. In its scope and in the principles that animate it, this document would bring to fruition the dream embodied in the Havana Charter of 1947, which called for the creation of the still-born International Trade Organisation.

Combined with success in the negotiations to liberalise market access in goods and services, due to finish by March 1 1992, the final act would:

- bring within the Gatt framework two long-established and embarrassing exceptions – agriculture, and textiles and clothing – which accounted for 10.1 and 5.3 per cent of total world trade in 1990, respectively;
- create a general agreement on trade in services, which would extend the scope of the rules on multilateral trade to activities that account for another 18.9 per cent of world trade;
- establish an "agreement on trade-related aspects of intellectual property rights" that would for the first time provide multilaterally agreed protection of intellectual property;
- strengthen the rules of the Gatt system to prevent abuse of existing provisions, remove the temptation to adopt "grey area measures" outside the Gatt and increase the transparency of procedures used by national authorities to grant Gatt-legal protection to private supplicants; and
- establish a Multilateral Trade Organisation (MTO), which would serve as an umbrella for the new agreements, end the long-standing anomaly of the provisional application of the Gatt, allow cross-retaliation within all areas of trade, and create both a uniform and far more binding system of dispute settlement.

These are big advances. Not least among them is the strengthening of the rules of the system. The Gatt is a contract whose value depends on the effectiveness of its rules. The draft final act would eliminate a number of important anomalies. It would:

- elaborate and strengthen several articles, including the one dealing with emergency protection (Article XIX). This would limit the duration of emergency protection and, with a few temporary exceptions, eliminate "voluntary" export restraints; and
- elaborate and strengthen a number of the codes agreed in the Tokyo round, notably those on subsidies, dumping and standards, as well as through a parallel negotiation on public procurement. Compromises have had to be made. But even in the case of the most sensitive of all, dumping, the rules have been tightened in ways that should limit the current tendency towards arbitrary decisions.

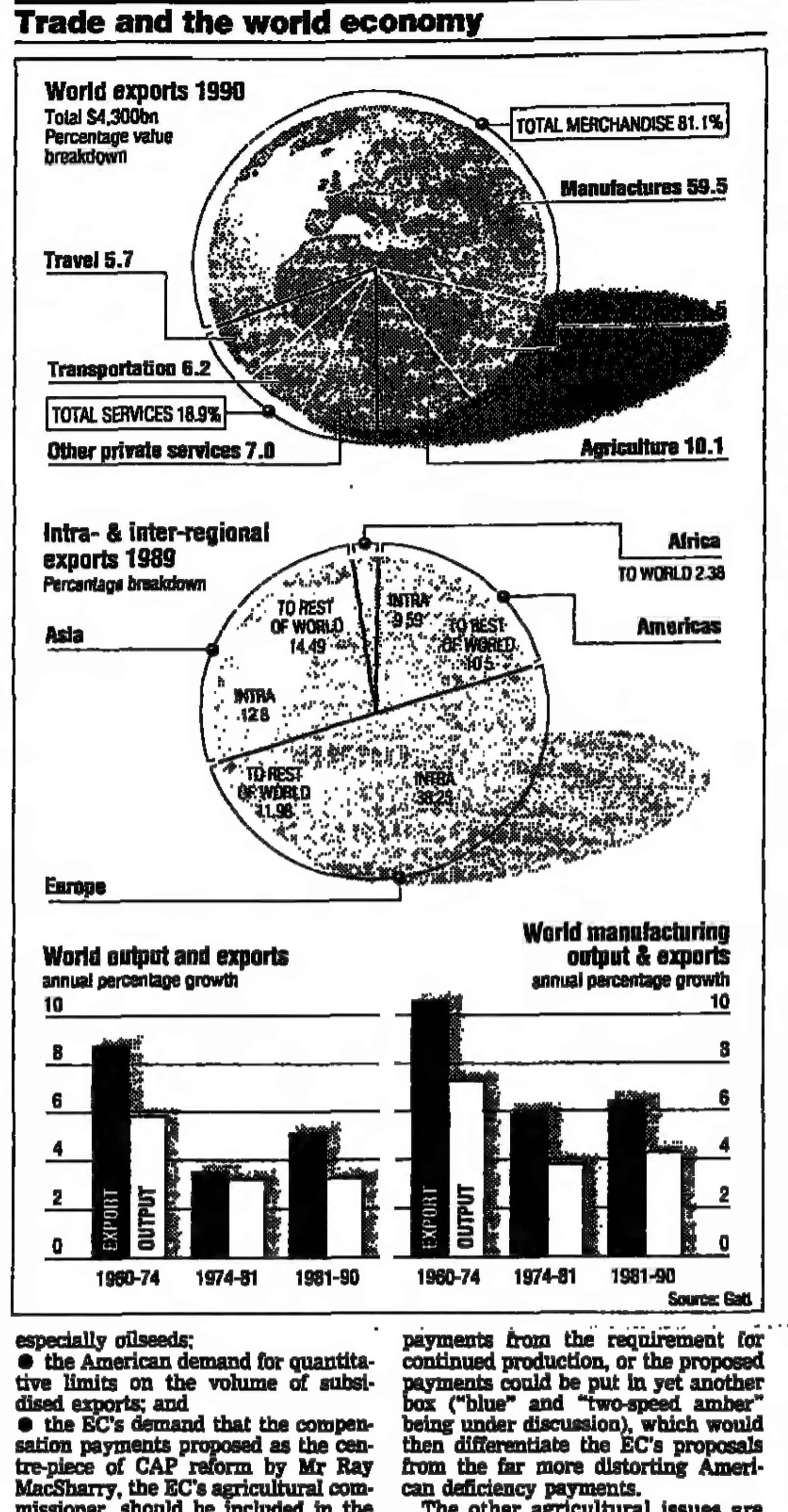
Unfortunately, there is a dauntingly long way to go, while little time appears to be left. Yet timetables alone should not be allowed to destroy an agreement of such importance. The more important questions are those of substance.

Agriculture is pivotal, not because of an American whim, as many in the EC seem to believe, but because it is the *sine qua non* for many other participants, both developed and developing. With the principle of reform of the common agricultural policy conceded by the EC, the agricultural negotiations are now over points of detail. The detail is important, but it is still detail and, as such, insufficient to justify derailment of the exercise.

The outstanding issues are in ascending order of sensitivity:

- the "tariffication" of existing barriers and concomitant commitments to improved market access;
- the EC's demand to "rebalance" its protective regime, with less protection for cereals offset by greater protection against cereal substitutes, especially oilseeds;
- the American demand for quantitative limits on the volume of subsidised exports; and
- the EC's demand that the compensation payments proposed as the centre-piece of CAP reform by Mr Ray MacSharry, the EC's agricultural commissioner, should be included in the "green box", as subsidies that do not distort production and trade.

Trade and the world economy



Mr MacSharry's payments do not get into the green box for a simple reason: they are not decoupled from production. The relevant text states that "no production shall be required in order to receive . . . payments", while the EC's payments make that requirement. The possible solutions are two: either the EC separates its payments from the requirement for continued production, or the proposed payments could be put in yet another box ("blue" and "two-speed amber" being under discussion), which would then differentiate the EC's proposals from the far more distorting American deficiency payments.

The other agricultural issues are not as difficult. A limit on the volume of subsidised exports cannot be out of the question for a trading bloc that is itself so sensitive to dumping. Meanwhile, rebalancing is anathema to many agricultural exporters and has no hope of being agreed.

Agricultural tariffication falls within the broader area of market access. A huge volume of work remains here – other issues being the bilateral tariff-line negotiations in manufactures and market access in services. But these negotiations are an opportunity, as much as an obstacle.

Chances to re-open the draft final document itself must be limited, if it is not to unravel entirely. The best way to pay countries that have not obtained what they want in the existing texts, or are asked to concede more than they judge reasonable, is through the market access negotiations, the goal here being a one third average cut in tariffs on manufactures. The US, for example, may obtain more than is at present offered to it in intellectual property by making generous offers on market access.

The immediate question is whether agricultural exporting countries decide that the EC's negative reaction to Mr Dunkel's agricultural text, which includes a proposal for reductions of 36 per cent in customs duties, makes the prospects for liberalisation too uncertain for them to engage in across-the-board market access negotiations. They should take the plunge, however, even if their offers remain conditional on agreed reductions in agricultural support.

The private interests that need to fight for the results of this round in the US include service providers and the pharmaceutical industry. For this reason, offers on market access are also important in services. US service providers will not fight for an agreement that gives all foreign companies equal access to the relatively liberal US market, while US companies are merely promised access to relatively illiberal foreign markets.

Meanwhile, the US pharmaceutical industry is making intellectual property an important obstacle to final agreement. It is concerned that the developing countries would have a transitional period of 10 years for the introduction of product patents. While some protection would be granted to products to be patented between the agreement's coming into force and the end of this transition period, no protection would be granted to existing patents. But since the US is isolated on the issue, it will have to pay a high price elsewhere, if it is to obtain agreement to retrospective application of patent protection.

These obstacles are important. But far more significant is the goal to be reached. As a result of past trade liberalisation – both through seven previous rounds of Gatt negotiations as well as in the regional context, above all within Europe – trade has led the growth of output through each successive economic cycle (see chart). The world economy has grown progressively more integrated, with this integration being a principal source of growth for the market economies.

Regional blocs provide no alternative to multilateral liberalisation. European countries do, it is true, do three quarters of their trade with one another and might consider the world well lost. But the countries of the Americas and of Asia send more than half of their exports outside their respective regions (see chart). Almost 40 per cent of all word trade, even including the huge volume of trade within Europe, is inter-regional. Regional blocs are not a sensible alternative to the multilateral framework. They are at best a complement.

Whatever happens, the last hour of the Gatt has arrived. If the round succeeds, a new MTO will provide a secure foundation for extension of the trading system into such new areas as global competition and the environment. It will also underpin the global market economy and, no less important, help stabilise global political relations. But if the round fails, a gallant attempt at global co-operation will go out with a whimper.

The big powers must make their choice. It is between the rule of the jungle and the rule of international law, between the belated slaughter of their sacred political cows and a dynamic world economy.

OBSERVER

Green... with envy

■ Next June's Earth Summit in Brazil, billed as humanity's last chance to avert ecological catastrophe, already promises to be a diplomatic disaster. The pressing problem, it seems, is not surplus of toxins but shortage of bedrooms.

Of the 41 nations to request accommodation so far, 80 per cent stipulated the same three hotels. So, as befits the new world order, they have gone respectively to the Americans, the Japanese and the Germans, leaving the rest of the world enviously scattered around lesser hotels.

The Canadians are not speaking to the Germans, having lost to them in the battle for the Intercontinental even though Canada was the only country to give money for the conference's organisation. Some Canadians suspect their ousting is connected with Chancellor Kohl's $180m handout towards environment projects in Brazil.

No one is speaking to the Americans, who simply faced the Brazilians with the ultimatum: "Give us what we want or we don't come".

As for the Brits, although 1,994 rooms have now been allocated, the UK delegation still has nowhere to stay. That, say the organisers, is their punishment for wanting all 160 members of the party to be in suites.

But it might also strike at least four of them – Premier John Major and three other ministers – as scant reward for Britain's being the earliest country to request accommodation in the first place.

Marking time

■ Not content with being out of sync with Moscow politically, the Ukraine yesterday rooted itself in a different time zone. Russia moved its clocks on an hour in a belated attempt to compensate for short winter days, but the Ukrainians stuck to the old time.

They are now only one hour ahead of most European countries whereas Moscow is two hours ahead – which will please Ukrainian politicians keen to move their country towards the west and away from their former masters.

Opera puffa

■ America is the birthplace of the "photo opportunity", but the image-boosters who puff New York's Mayor David Dinkins are outdoing themselves in preparing for a reception for Italy's Luciano Pavarotti this week.

The burly tenor will be honoured at Gracie Mansion, the mayor's official residence, to mark an appearance at Lincoln Center. To ensure coverage public relations adviser Gloria Gottschalk has informed the US media of the following photo opportunities:

- Pavarotti arrives in white Cadillac stretch limousine,
- Huge 10 x 15-foot Pavarotti banner featuring 6½-foot free flowing handkerchief hanging from porch welcomes guests.
- Dinkins and Pavarotti blow out the candles on a chocolate birthday cake in the shape of Lincoln Center, complete with marzipan fountain and satellite dishes.

In the air

■ Mind you, even Dinkins's PR is out-marzipanned by the puffers of a block of serviced flats Britain's newly formed Heritage Trust partnership hopes to be allowed to build in green-belt Surrey.

As if it wasn't a schmaltzy enough idea to house the flats in the first British castle to be built for 60 years, the publicity blurb kicks off with a poem beginning: *What spires*

"We've already spent our electoral bribe"

are these amongst the trees. Is Camelot to Cobham come?"

Whatever answer King Arthur and his rotary club might have given, the project is of concern to present royalty. While the partnership believes its Pointers Castle is of such merit as to rise above the green-belt planning rules, Prince Charles might think differently. For, if built, it will be in sight of the landscape gardens at Painshill Park of which he is patron.

The castle's designer Paul Nadhar, who claims it accords with the Prince's book A Vision of Britain, says he has been kept informed of the project. "Regrettably, he hasn't at this stage shown an active interest," Nadhar adds.

Sold out

■ Alex, the yuppie cartoon-character who makes his debut in the Daily Telegraph this morning, ought to be proud of his latest deal.

Having been given his first big break at The Independent, the City spiv didn't hesitate to sell out for a hefty pay increase elsewhere. He has also earned a bonus by rubbishing his old employer in newspaper and poster ads.

The Telegraph, besides paying £85,000 a year for the cartoon strip, is spending a further £250,000 boasting of Alex's defection. The Independent's boss Andreas Whittam Smith is a trifle pained by the knocking copy, but the Telegraph says it is just in fun.

Will it work? The Daily Telegraph, Britain's biggest selling heavy paper, has an elderly readership and is heading down market in pursuit of the ruthless young types who admire everything Alex stands for. It is nevertheless giving the Independent, now spending nothing on advertising itself, much free publicity.

Whittam Smith, for his part, professes himself convinced that Alex has passed his heyday. His conviction would be more convincing, however, if he hadn't replaced the cartoon with a third-rate strip about a TV celebrity.

Purr-chase

■ Observer is happy to report that the sale of London fashion display company Rootstein Hopkins to Tokyo counterpart Yoshichu Mannequins is now safely in the bag, despite the sellers' insistence on writing what might be called a claws clause into the contract.

Sanwa Bank officials advising on the deal were worried that Adel and Richard Rootstein might put the purchasers' backs up by requiring them to guarantee company cats Harry and Honeybun a continued free run of the west London premises. But the flap proved unwarranted.

"They are here for life," purred Mrs Rootstein, adding that when Yoshichu's Messrs Ogawa and Miyake arrived to inspect the purchase, "Harry rushed to the door to welcome them, and they both immediately sat on their laps when they sat down."

A last chance to ring the changes

BT is about to come under the most intense scrutiny since privatisation, says **Hugo Dixon**

Sir Bryan Carsberg has one final important task before he moves from the Office of Telecommunications to the Office of Fair Trading in June: to review BT's prices.

The review, due to start on January 30, is perhaps the most important in his nearly eight years at the top of Oftel. This will be his final testament to the telecommunications industry – his chance to draw together all the regulatory techniques he has helped to pioneer since taking the job before BT's privatisation.

It is not only BT's prices that will be under scrutiny, but also Sir Bryan's actions. This is partly because the review is taking place in the run-up to a general election. Mr Gordon Brown, Labour's trade and industry spokesman, has called for cuts in BT's prices on the grounds that the company is earning excessive profits.

Sir Bryan has always tried to avoid political pressure, arguing that economic and accountancy theory should determine regulatory policy. But keen political antennae will be required to steer a course between the competing interests of BT's customers, shareholders and rivals.

Customers have an interest in lower prices, although there is a potential conflict between what business and residential customers want. Shareholders would like BT to keep its prices high.

Rivals, such as Mercury Communications and the cable television companies which are moving into telephony, also have an interest in BT's prices staying high. The higher they are, the easier it is for other companies to compete.

Sir Bryan may wish to correct a perception that he was too soft on BT the last time the company's prices were comprehensively reviewed in 1988. Since then, profits have increased sharply to £3.1bn last financial year. Sir Bryan has been criticised for failing to control its international prices until last year.

The pressure on Sir Bryan to produce a regime that is seen to be fair is one of the reasons that the consultative document, which will kick off the review at the end of the month, will be more comprehensive than the one four years ago. It also explains why Sir Bryan, who in the past has been criticised for negotiating with BT behind closed doors, intends to be more open about how he reaches his conclusions.

When BT was privatised in 1984, some ministers hoped that the need for price regulation would diminish as competition developed.

But the group's continuing dominance of the industry – its market share is more than 90 per cent – means that few now doubt that its prices need to be controlled to protect customers from overcharging. BT claims that the prospect of more competition – more than 20 companies have asked for telecoms licences following the government's policy review last year – should mean it has more flexibility in how it prices its services. But even it accepts that price control will not be completely abandoned.

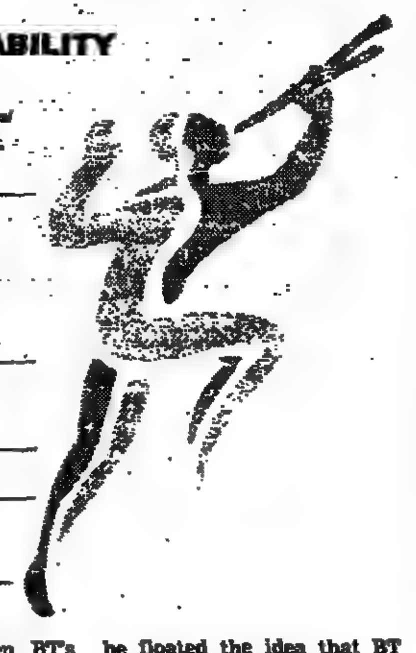
TELEPHONE COMPANY PROFITABILITY

US Regional Bell Operating Companies (RBOCs)	Operating return on net property, plant & equipment (%)	Net income per line ($)	Cash surplus/(deficit) per line ($)*
Ameritech	16.6	76	7
Bell Atlantic	13.4	75	15
Bell South	12.7	93	4
NYNEX	10.2	62	(3)
Pacific Telesis	13.0	73	19
Southwestern Bell	12.6	91	16
US West	13.4	85	(22)
Average	13.1	81	5
Europe			
BT	22.6	144	34
BIP	6.1	15	(153)
Telefonica	8.2	59	(330)
Japan			
NTT	7.3	37	6

Data for last completed financial year, translated at recent exchange rates (£=$1.760, $1=Lira1,220, $1=Peseta102.9, $1=¥128)

* Cash surplus/ (deficit) calculated as net income plus depreciation, less capital expenditure and dividends

Source: Robert Fleming Securities and FT



Sir Bryan will have decide whether the company's profits are "reasonable" before he decides how tightly BT's prices should be regulated.

A Financial Times analysis last year concluded that BT could cut its charges to customers by £1bn and still earn profits comparable with telephone companies elsewhere and with the rest of British industry. But BT's head of UK regulation, Mr John Basgallop, says the company's profitability is within the range of what was expected when prices were last reviewed.

Sir Bryan will also have to form a view on how much further BT, which has been cutting about 15,000 jobs a year, can continue to improve efficiency. Mr Andy Green, BT's director of public communications products, says: "We would expect to be able to maintain similar improvements as in recent years."

But profits will not be the only determinant of price control. The UK approach to regulating privatised utilities is designed to give them an incentive to continue improving efficiency.

Sir Bryan may wish to correct a view that he was too soft on BT the last time

Instead of limiting BT's profits to what is judged to be a reasonable level, in the past a price cap has been set which was expected to deliver acceptable profits if the company made reasonable progress to improve efficiency. This gave BT an incentive to over-achieve, because it kept any extra profits.

Sir Bryan believes in this type of incentive regulation, but that does not mean that the current procedures will remain unchanged. Last year he floated the idea that BT might have to pay back to customers part of any "excess" profits.

Apart from general principles, the review is expected to examine the following issues:

- Should the price cap be tightened or loosened? At present, BT is required to cut each year the price of a basket of its main domestic and international services by 6.25 per cent less than inflation. A regime designed to reduce the company's profitability substantially might tighten this to 10 per cent or more. But BT argues that a relaxation in the price cap is needed to maintain its profitability.
- Should there be a one-off cut in BT's prices? Such a move would bring down the company's profits immediately rather than phasing a reduction over several years.
- How much flexibility should BT have to move the prices of specific services within the overall basket? The group is currently prevented from increasing residential line rental charges by more than 2 per cent above inflation.

BT wants greater flexibility in order to be able to compete more effectively against rivals. A Labour government might resist such a move on the grounds that it would make it more difficult for poorer households – for which the rental charge is a large portion of their bills – to afford a phone.

- How should new services such as call diversion and messaging be priced? Should BT be able to offer residential customers discounts if, for example, they rent more than one line?
- Should BT be restructured to help competition develop? The Liberal Democrats have argued that long-distance and local operations should be split in much the same way that American Telephone & Telegraph was broken up in 1984.
- Should the "wholesale" prices BT charges its competitors for using parts of its network be cut? Mercury argues that, as retail prices come down, so should wholesale prices. Otherwise, competitors will face a squeeze on margins.
- Should prices vary with the amount BT invests? Some observers argue that the company does not need to keep prices high because investment has been falling. But BT says prices should reflect past, not future, investment.
- Should BT's core UK operations be "ring-fenced" from new businesses into which it has been diversifying? Robert Fleming Securities estimates that BT has lost about £1bn as a result of overseas expansion. This figure is calculated by combining the reduction of the value of BT's investments with the cost of financing them.
- Should prices vary with quality of service? One idea floated in the past has been that, if quality falls, so should prices. But defining quality in a way that could fit into a mathematical formula might prove impossible.

Whatever Sir Bryan decides, he will need the agreement of Mr Iain Vallance, BT's chairman, to implement change. If he fails, he could refer the company to the Monopolies and Mergers Commission.

Timing could be critical. If negotiations go well, a deal could be struck before Sir Bryan moves jobs. However, he is aware of the dangers of getting boxed in to an artificial timetable which could undermine his negotiating position. BT itself might feel it has something to gain by spinning out the negotiations until after Sir Bryan has left.

But even if the review – which will heavily influence BT's prices, profits and business strategy for years to come – is not completed by June, most of the parameters will be set by then. Sir Bryan will go, but his shadow will linger.

Samuel Brittan

Post-Soviet market: how it could work

During the time when centralised economic planning was fashionable in the west, the more perceptive critics of the idea did not just throw the economic textbooks at the interventionists.

They analysed the deeper flaws in the whole project for constructing a rational society from the drawing board, which has beguiled humanity from the time of the French Revolution: they gave the resulting fallacy big names like "constructivism" or "rationalism".

They pointed to the importance of dispersed unformulated knowledge and the deep-seated influence of custom, habit and tradition. The moral drawn was that successful reform should build on existing practices.

There is a danger that western advisers and well-wishers of the Commonwealth of Independent States (CIS), which formerly made up the Soviet Union, will make the same mistakes of constructivism and rationalism that their predecessors made when moving in the opposite direction.

These remarks arise from Mr Boris Yeltsin's extremely brave experiment in freeing prices, which deserves a much better press than it has had in the west. Some of the wrong-headed criticisms made by western commentators echo those made after Ludwig Erhard's lifting of German controls in 1948, when there were, indeed, months of hardship, poverty and unstable prices before the market-based system settled down.

There is, nevertheless, a crucial difference. Erhard's price liberalisation came on the heels of a successful currency reform, which ensured that price liberalisation would not degenerate into a hyper-inflation. There is no time to wait for its equivalent in the Russian world.

The danger is that western reformers will pin all their hopes on a successful currency reform in Russia and the other republics and not see that there are already currencies in circulation which the Soviet population trusts.

For even a distant observer can sense that the one incentive that will motivate the Soviet peasant, trader or factory manager to bring products to market is the offer of "dollars". The term covers almost any hard currency – which all citizens recognise and which can draw tropical fruit out of the Siberian tundra. In the remotest parts of Central Asia traders have always known the going dollar price for a pair of jeans or a western radio. People know how to deal with "dollars", as they have existed side-by-side with roubles throughout the Soviet period, when there were hard currency shops to which the privileged had access.

Indeed hard currencies have penetrated on a black market basis into the former Soviet bloc to such an extent that the Bundesbank has been criticised for not taking enough account of these external holdings in measuring the German money supply.

The one incentive that will motivate the peasant, trader or factory manager to bring products to market is 'dollars'

My suggestion is certainly not meant as a blanket proposal for all the former communist countries. Poland, for instance, has had a remarkably successful currency reform and fiscal retrenchment along approved IMF lines. Other central European countries are moving in a similar direction; and the Baltic states may launch viable independent currencies of their own. But the distrust of the rouble and the disarray of the budgetary system in CIS countries is so great that alternative paths need to be explored.

This is leading up to a very simple proposal. It is that part of any aid given to the CIS should consist of hard currency which the Russian and other governments should neither keep as a reserve nor use directly for western imports, but put into circulation – most conveniently by using it for their own purchases.

A modest amount will go a long way. For it is likely that a credit pyramid will develop on the hard currency cash base and that deposits said to be dollar-denominated will proliferate. The notes themselves will circulate with a rapidity that will give new meaning to the words "velocity of circulation".

There is nothing in my proposal which precludes Russia, or any other republic, from eventually introducing a hard currency of its own. Indeed, one way of defining any such new currency would be to fix its parity against dollars or D-Marks and measure its success by the extent to which the official exchange rate can be maintained in the free market.

There are endless possible variations. A new post-Soviet currency could be defined in terms either of a currency basket or of the Ecu, D-Mark or dollar. The authorities could offer convertibility at a fixed price; or they might simply pursue sufficiently tight monetary policies to keep up its value. If, on the other hand, the main CIS countries continued to use western currencies for domestic circulation there would be important implications for western monetary co-ordination. But to prescribe for these matters now is to run before we can walk. Events themselves will give the right hints.

My proposal is no substitute for providing urgently-needed aid; but it could be one component. The aid package of $20bn suggested by Professor Jeffrey Sachs is a tiny proportion of the western defence budget. It is less than some of the packages of tax cuts now being discussed in the US alone. Support for a vulnerable democratic system covering a sixth of the earth's surface is surely a more satisfactory way of priming the world economy than encouraging western governments or citizens to pile up yet more domestic debts. And when it comes to giving help, there is much to be said for giving it in the form that the recipient most wants.

LETTERS

The quality of teacher training

From Sir Allen Sheppard.

Sir, Your criticism of Kenneth Clarke's plans to reform the teacher training system ("Education and the election", January 6) as "panicky electioneering" is ill-founded. My company, employing some 29,000 people in the UK, has a direct interest in the quality of our teachers. The inspectorate's report shows very convincingly what can and should be done to equip schools to invest their knowledge and skills in the next generation of teachers. Much of the opposition to the plans smacks of self-interest and an elitist view that education "theory", taught by people who no longer teach children, is more important than practical classroom skills; teachers must be able to manage all the different modes of learning.

My company put some ideas to the education secretary on the need for such a change of emphasis in teacher training. I am delighted to see this new consensus, of which we are a part, has found such a practical and dynamic response from the secretary of state.

Children and teachers themselves will benefit.

Allen Sheppard,
Grand Metropolitan,
20 St James's Square,
London SW1 4RR

Useful data

From Mr Tim Owen.

Sir, The appointment of a Central Statistical Office director (January 15) with a policy of making economic data more useful to the commercial world represents a welcome reversal of the apparent long-standing official view that governments collect statistics for their own purposes and any benefit to the taxpayer from their publication is purely incidental.

In this connection, the early reinstatement of the *Commercial and industrial floorspace statistics* (which last appeared in 1986) and the full *Census of distribution* (which has not appeared since 1971) would earn Mr McLennan the approbation of planners, property developers, retailers and investors, to list but a few.

Tim Owen,
principal information officer,
LRC Research Library,
London SE1 7SZ

Market profitability, not capital, the real issue for Lloyd's to confront

From Mr Nigel Easton.

Sir, As one of the dwindling number of Lloyd's Names, I have no small interest in the work of the Lloyd's task force and in ensuring that the flagship of the London market remains afloat. The report proved a good read and represents a creditable assembly of the many facts and possible proposals anyone responsible for governance at Lloyd's ought to know. None the less, the report was a real disappointment, concentrating as it did on suppressing the symptoms of Lloyd's problems rather than addressing their causes.

For example, it is suggested that corporate membership should be introduced to replace Lloyd's declining capital backing from individual Names. This misses the point. Capital has been lost or withdrawn by Names owing to the negative or unsatisfactory return they have suffered. It is difficult to see how corporate members, required to have three times the capital backing of individual Names, could be attracted at all in the current environment. Moreover, even if corporations could be attracted, many of Lloyd's clients will take little comfort from the experience of the ill-fated New York Insurance Exchange, which collapsed on the back of corporate membership.

It is market profitability, rather than capital, which is the real issue. The strength of Lloyd's does not lie in its absolute size, but rather in an entrepreneurial and innovative system capable of attracting profitable international business. It is true that the size and potential severity of the business involved requires a collective market to syndicate each risk. However, this market goes beyond Lloyd's and, consequently, so should the task force's recommendations aimed at restoring profitability. Recommended changes in tax treatment of reserves and in broker behaviour require the support and involvement of the broader London market.

It is characteristic of its introspection that the Lloyd's task force report focuses on complicated restructuring within Lloyd's, requiring many years and parliamentary intervention to implement, rather than the broader issues of market practices and profitability, where positive action could be taken immediately.

Nigel Easton,
Booz Allen & Hamilton International (UK),
100 Piccadilly,
London W1V 9HA

Difficult to assert the electricity generators are abusing their position at consumers' expense

From Mr Anthony White.

Sir, Mr Andrew Cook (letters, November 28 and January 2) charges that the electricity pool pricing system is "arcane and secretive" and that the generators are manipulating the market.

The pooling system is complex, but only because electricity cannot be differentiated by source and is difficult to store. The pooling system is nothing more than a means by which this commodity can be traded. Like other commodity markets, customers can purchase at the "spot" price, or they can enter into contracts which stabilise prices. A 15 per cent rise in the contract price offered to Cook's resulted from the removal of a cross subsidy which had favoured certain classes of consumer, typically those with effective lobbying power, to the detriment of other consumers. Cook's decided to take a chance on pool prices and so suffered from the recent price spikes. The rules by which pool prices are established may be complex but are certainly not "secretive". Copies of the "pool rules" are freely available from any supplier and were surely studied by a company where electricity accounts for 8 per cent of manufacturing costs.

More serious is the suggestion that the generators are manipulating the market. Since National Power and PowerGen own most of the generating plant, it is likely that they can control pool prices. However, the pertinent question is whether they control the wholesale price of electricity which, for the vast bulk of consumers, is determined by contracts. One guide is that Cook's would be unable to find anyone to build a power station and supply it with electricity at or below the present level of pool prices. Moreover, the regulator was unable to determine whether present prices were higher than expected for a competitive market with surplus capacity, ie were higher than "avoidable costs". So it is difficult to assert that the generators are abusing their dominant position at consumers' expense. Indeed, during one of the price spikes, the recent report by OFFER suggested that both companies probably lost money. In real markets, firms do not cut their throats willingly, nor do they miss market opportunities.

Anthony White,
James Capel & Co,
James Capel House,
6 Bevis Marks, London EC3

Same options still on the line

From Mr Roger Ford.

Sir, I note from today's Financial Times that transport secretary Malcolm Rifkind's top priority on railway privatisation is to get the right solution not a rushed one (Parliament and Politics, January 15). As this work started under his predecessor, Paul Channon, in May 1988, and was described as "urgent" at the time, one wonders just how much longer the government can keep on going round the same four options before accepting that none of them will improve services on the real railway.

Roger Ford,
business editor,
Modern Railways,
8 Russellcroft Road,
Welwyn Garden City,
Hertfordshire AL8 6QT

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

No mortgage rescue falter

From Mr Stephen Duckworth.

Sir, Your reports on the government's mortgage rescue scheme (January 14 and 15) have been exaggerated.

As the representative of the National Federation of Housing Associations quoted in both your articles, I do not believe that the schemes are faltering, nor that lenders and housing associations are at loggerheads. Since before Christmas a number of lenders and associations have been in negotiation on how the schemes might work, since none of the detail was sorted out before the "package" was announced.

Associations need to make sure that their finances are not put at risk and that the households which become tenants are not confronted with unaffordable rents. There is no merit in a scheme which simply converts mortgage arrears into rent arrears.

To make the schemes work, lenders will need to be very flexible, but indications are that they accept this.

Stephen Duckworth,
head of housing finance,
National Federation
of Housing Associations,
175 Gray's Inn Road,
London WC1X 8UP

Seekers of truth

From Mr Stephen Hugh-Jones.

Sir, We hacks must surely bow to Howard Davies's idea (Personal View, January 15) that newspaper reports be judged for accuracy by the government or corporate press officers involved. Who is paid to tell the truth if not they? Why rely on some wretched political editor when the unvarnished facts are available from a Bernard Ingham?

But Mr Davies does not cast his net wide enough. Newspapers are not the only publishers. His own Audit Commission – just for example – puts out numerous reports on local government. These could be judged by an objective committee of council press officers from, say, Liverpool, Hammersmith and West Wiltshire (plus, maybe, to add some Scottish financial acumen, Western Isles).

Couldn't they?

Stephen Hugh-Jones,
The Economist,
25 St James's Street,
London SW1A 1HG

Senior executives claimed to have no misgivings when headhunting meets psychological testing in the cause of finding the right candidate

From Mr Bill Acker.

Sir, The article, "Money spent on headhunters is 'wasted'" (Tuesday, January 7), disturbs me because:

- it overstates the usefulness of psychological tests used in isolation;
- it misrepresents the small group of headhunters concerned with finding people for top jobs;
- it portrays headhunters and occupational psychologists as competitors rather than providers of complementary services.

Using psychological tests as though they can "scientifically" predict job success the way a tailor measures for a suit, fosters a false sense of scientific confidence. Tests have a place, but only as a small part of the assessment process.

The paper reported a survey of 365 search consultancies. It must have spanned the good and the bad. Only about 20 headhunting firms can properly be described as operating at the most senior levels.

Headhunters are reportedly reluctant to work with fully qualified occupational psychologists, because they fear losing control of the contract. This may be true of bad search consultants trying to pass off a weak candidate, but respectable search consultants know that satisfied clients return with repeat assignments.

Headhunters and psychologists have complementary skills. Headhunters know how much the market is paying for people with specific skills, they can find out which managers are most favoured by their peers and they can sell new jobs to candidates who would not reply to advertised vacancies.

Psychologists can make finer discriminations between candidates and companies. They can go further than saying "this is a good candidate", and identify how a candidate would undertake the job and fit into the organisation.

Recommendations from a psychologist's assessment include how the company can best support a candidate in terms of supervision, shifting the structure of the client company, or adjusting the specifics of the job to be filled in other ways.

Bill Acker,
director,
Independent Assessment
and Research Centre,
17 Portland Place,
London W1

From Mr Peter Samuel.

Sir, I was delighted to read the valid observation by William Gill (Letters, January 11) that there is no conflict between the work of reputable executive search consultancies and corporate psychologists.

He asserts, however, that very senior top managers would resent an occupational psychological test. Our experience is totally to the contrary. Most senior executives who have actually participated in psychological assessment, particularly when changing their employer, recognise that it is to their own advantage in reducing the inherent risks to their own career as well as providing an opportunity to learn more about themselves. The appointments section of your very same edition announced elections to the board of two major plcs of externally recruited directors, for both of whom psychological assessment was an integral part of the selection process.

There are two underlying reasons for Mr Gill's misconceptions. First, he makes the assumption that psychological testing is synonymous with psychological assessment. It isn't. The test component is, when used correctly, only a part of the complete assessment process. The second more fundamental error is his assertion that candidates are "headhunted on the basis of their reputations and their indisputable records". What such emphasis on track record fails to recognise, however, is that simple extrapolation from success in one organisation to another is fraught with risk. I recall a line from Dryden: "They rise, they shine, evaporate and fall." Experience suggests that client satisfaction is greater where the search consultant concentrates on finding candidates who are rising and shining, with the complementary guidance of the independent psychologist on underlying capabilities, potential and capacity for company transfer. The dual input thereby minimises the risks of evaporation and fall, both for the candidate's career – and the client's bottom line.

Peter Samuel,
managing director,
Young Samuel Chambers,
Suite 7,
22 Grosvenor Square,
London W1

Continued growth of the socially aware banks

From Malcolm Lynch.

Sir, You reported ("Swiss bank capitalises on green sentiments", January 7) that the Zurcher Kantonal Bank, a more traditional Swiss Bank, has decided to follow the Alternative Bank Schweiz by offering an account to customers which pays less interest than usual current accounts. The lower rate would allow the bank to reduce the rate charged to environmentally friendly business customers.

The establishment of new socially aware banks and finance organisations has been growing in the last 30 years. More than 30 of them, including five UK finance companies and the Alternative Bank Schweiz, have, since 1989, become members of the International Association of Investors in the Social Economy.

The financing techniques for socially and environmentally friendly development which they all use are at the forefront of capital strategies for a sustainable economy. Capital funds, for example, for wind farms, organic farming and co-operative ownership have all been copied some years later by traditional banks.

It is important to recognise at a time of big is beautiful in the banking world that room should be left to establish new and small social economy banks which combine innovative banking operations within appropriate standards of banking practice.

Malcolm Lynch,
secretary,
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FINANCIAL TIMES
Monday January 20 1992

Greece's old guard clings on to power

Three leaders are under pressure to leave the political arena, writes Kerin Hope

AS Mr Andreas Papandreou, the former Greek prime minister, relaxes after his acquittal on corruption charges, he may well reflect that even Pericles, the greatest Athenian politician of them all, was once accused – and cleared – of embezzling state funds.

But he might also recall that one of the ancient statesman's few political blunders was his insistence on clinging to power into old age.

Both Mr Papandreou, now the opposition leader, and his lifelong political rival, prime minister Constantine Mitsotakis, say they have no intention of retiring, though they are 72 and 73 respectively.

They can point, with justification, to 84-year-old president Constantine Karamanlis, a former conservative prime minister who was born in northern Greece when it was part of the Ottoman Empire and who is still an active head of state.

However, the three elderly leaders are collectively known as "the dinosaurs" to the increasing number of Greeks who are impatient to put an end to an era of domestic political intriguing and unashamed use of patronage.

Their sense of frustration is openly expressed. Younger technocrats say their efforts to contribute to policymaking are undermined by rivalries between senior ministers. Foreign Ministry officials complain they are not consulted on fast-moving developments in the Balkans. Businessmen say they are reluctant to make a substantial investment without an assurance that it will be viewed favourably by senior members of the government.

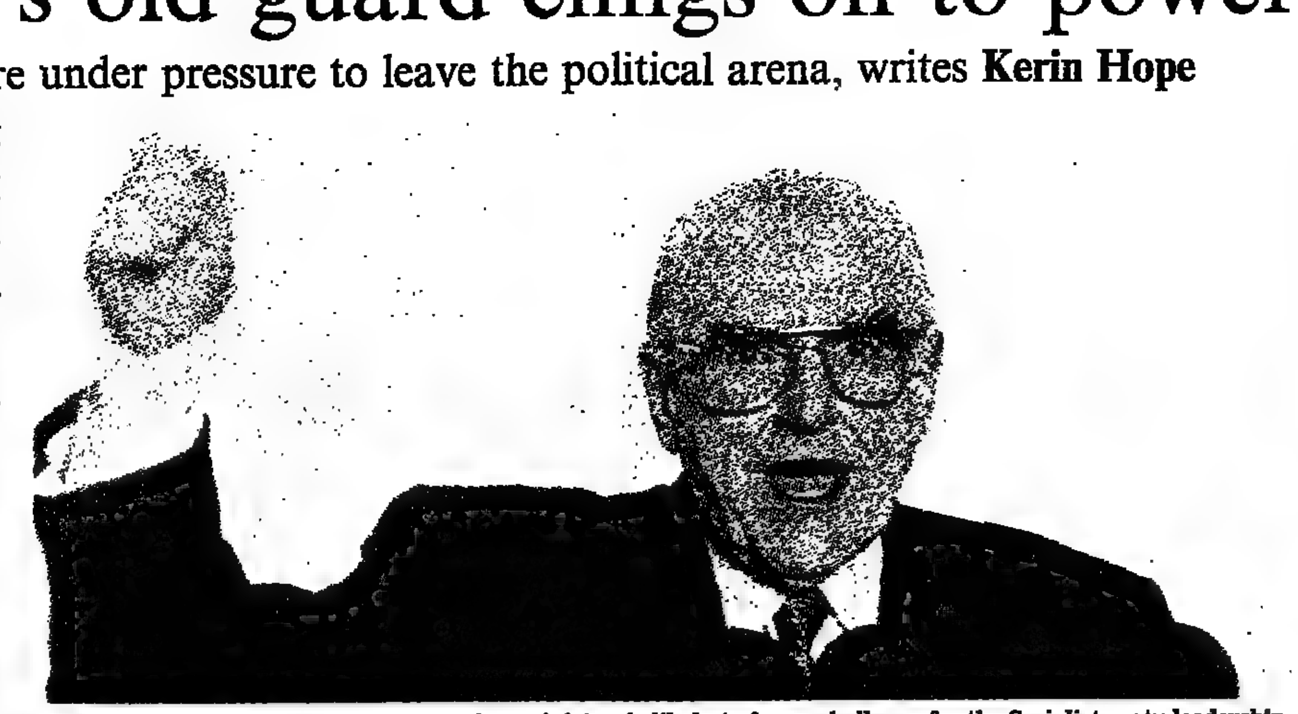
Regardless of the not-guilty verdict, Mr Papandreou's reputation remains tarnished, if only because he failed to sever links with Mr George Koskotas, the former Bank of Crete owner who had admitted embezzling funds.

Mr Mitsotakis is open to criticism for appearing to exploit the judicial system to give his conservative New Democracy party an edge in two successive general elections that followed Mr Papandreou's indictment by parliament in 1989.

Public attention is now focused on Mr Dimitris Tsovolas, a co-defendant and former finance minister, who refuses to pay a Dr912,000 ($5,000) fine to buy off his 2½ year sentence for breach of trust. After being stripped of his parliamentary seat, he remains holed up in the central offices of Mr Papandreou's Panhellenic Socialist Movement (Pasok), vowing to resist arrest.

Mr Papandreou's call for an immediate election sounds hollow, even to his supporters, given his precarious state of health. The chances are that a serious contest for the Pasok leadership will get under way in the next few months.

Mr Mitsotakis will be watching the succession struggle as closely as any Pasok member. Once Mr Papandreou leaves the scene, it will be much harder to stop ambitious 50-year-olds in the conservative party staging their rebellion.



Andreas Papandreou, Greece's former prime minister, is likely to face a challenge for the Socialist party leadership

Russia may flood aluminium market

By Kenneth Gooding, Mining Correspondent, in london

RUSSIA's desperate need for hard currency will drive it to maximise exports of aluminium this year, adding to the turmoil in the already depressed world industry.

Russian officials have indicated that they hope to sell 1m tonnes of the metal, the same as last year when a sudden flood of Russian aluminium caused extensive production cuts in the west and drove prices down to their lowest-ever level in real terms.

Russia's plan is bound to increase pressure from aluminium companies in North America and Europe for import quotas on Russian sales. Already nearly 1m tonnes of western aluminium smelting capacity has been or is about to shut down, representing more than 5 per cent of available capacity.

Aluminium is used for a wide variety of products, but mainly goes to the construction and packaging industries. Prices have fallen by 60 per cent from the peak in 1988 and for some months have been near 50 cents a pound, at which level 75 per cent of western world smelters are operating at or below cost.

■ Monday profile:
Courage of a Russian reformer ....Page 28

Concernalumini (Aluminium Company), set up recently in the Russian Republic, has told western industry representatives that it understands problems are being created in the west but that Mr Boris Yeltsin's government wants it to maintain exports at a high level to earn as much foreign currency as possible.

The new company, which has taken over most of the aluminium production assets in the former Soviet Union, confirmed that it achieved last year's export objective of 1m tonnes, more than three times the net exports of 300,000 tonnes in 1990. The information was given to a team from VAW aluminium of Germany, the first delegation from the western industry to visit their Russian counterparts this year.

Mr Karl Wobbe, VAW's management board member responsible for aluminium production, said at the weekend that he doubted the Russian industry could meet its export target this year because of raw material and spare parts shortages and the fact that much equipment was worn out.

"My personal impression from visiting smelters is that production will probably go down by another 20 per cent this year after falling 10 per cent last year," said Mr Wobbe at the weekend.

The Russian industry has between 3.5m and 3.6m tonnes of annual aluminium capacity, he pointed out. "We estimate production will be down to 2.5m to 2.8m tonnes this year."

Mr Yeltsin was worried that the domestic aluminium fabricating industry would be starved of material and decreed that smelters in the first quarter of 1992 must supply the domestic market with at least 70 per cent of the tonnage supplied in the same months last year.

Mr Wobbe said smelter managers would be unlikely to comply fully with this decree. "They need foreign currency to pay for food for their employees and their families and for spare parts to keep the plants going," he said.

Major hints

Continued From Page 1

With Labour thrown on the defensive by last week's attacks on its tax policy, some senior ministers say the Conservatives could go to the polls as early as April 9 after a tax-cutting Budget puts taxation at the centre of political debate.

Yesterday two opinion polls showed the parties neck and neck, with Labour just 1 point ahead. In The Observer, Harris gave Labour 43 per cent, the Tories 42 and the Liberal Democrats 13. A Sunday Express poll by ICM put the figures as Labour 42, the Tories 41 and the Liberal Democrats on 14.

Tory campaigners made clear that there would be no let up in the attacks on Labour as the party of "higher taxes, higher inflation and higher interest rates."

Mr Chris Patten, the party chairman, used an independent poll of Labour MPs to claim that 57 per cent favour increases in basic income tax rates of 1p or more to finance the party's public expenditure programme. The poll was conducted in the autumn.

Today, Mrs Gillian Shephard, the Treasury minister, will kick off a fresh round of news conferences on tax and spending, while tomorrow Mr David Mellor, chief secretary, will publish revised costings of Labour's programme, alleging that it will exceed £35bn.

By contrast, Labour plans to regain the initiative by switching its focus in daily press conferences to the Conservatives' record in office since 1979.

A Labour campaign official said there was a firm conviction that the Tories had played their principal electoral cards too early. "By the end of next week they will have said all they have to say on public expenditure, yet we are level pegging with them in the polls without even raising our 'winning' issues like health, education and the poll tax," he said.

British exporters discover Nigeria trade credit fraud

By Ian Hamilton Fazey, Northern Correspondent, in London

BRITISH exporters have discovered an elaborate fraud, apparently based in Nigeria, in which counterfeit banker's drafts and US letters of credit are being used to get companies to ship goods to Lagos for which they will never be paid.

The fraud was uncovered by Leeds Chamber of Commerce and Industry after Farnell Electronics, a member, asked for a routine check on documentation for a £46,000 order. Several other cases have since come to light in Leeds and Birmingham. Orders range up to £120,000 in value.

Uninsured trade with Nigeria has long been hazardous. In the early 1980s, uninsured trade arrears reached several billion dollars. Most of the debt was eventually settled when Nigeria issued promissory notes worth some $5bn on terms which were subsequently rescheduled.

Nigeria is notorious as a base for crude attempts to obtain money by fraud, and last year the Central Bank of Nigeria and the Confederation of British Industry warned businessmen to be on their guard. However, the latest attempt seems more sophisticated. Mr Terry Richards, head of Leeds chamber's international department, says it may have fooled companies throughout Europe.

The perpetrators made contact with their victims more than 16 months ago. Farnell was asked to quote to supply electronic components in September 1990 by sending a pro forma invoice to a company in Nigeria. It has been waiting for confirmation ever since.

Normal procedure is for the would-be importer to use the pro forma invoice to get Nigerian government approval to use foreign exchange for the purchase. Nigeria, like several other African governments, then uses a private inspection agency, to check on the quality and value of the goods ordered. If all is in order, what is known as an M Form is issued. Confirmation of orders should then be accompanied by a banker's draft and a letter of credit guaranteeing funds.

As with all similar transactions, the exporter cannot bank the draft until the goods have landed in Nigeria and the importer has obtained the bill of lading which gives title to them.

The fraudsters are sending their victims confirmation of orders, based on allegedly approved pro forma invoices, with an apparently certified draft drawn on a fictitious branch of Nigeria's Wema Bank. Payment is "guaranteed" by a purported letter of credit from what appears to be a bogus finance company in New York.

The orders do not include an M form, but they incorporate a request to send the goods as soon as possible because the importer's own customers are threatening to cancel. Mr Richards says companies not familiar with Nigeria's procedures may respond if they have been waiting months to close the sale. Birmingham Chamber of Commerce and Industry said three companies had sought advice since Tuesday and it had alerted the Department of Trade and Industry.

Israel's hardline coalition collapses

Continued from Page 1

and Gaza Strip as an irreversible step towards Palestinian statehood. They advocate the territories' annexation.

Likud believes it can achieve Jewish sovereignty and Arab acceptance of limited, non-sovereign Palestinian self-rule. It entered the peace talks on that basis. Mr Shamir is already casting Likud, for years a party of the hard right, as the party of the moderate centre, committed to peace negotiations.

Yesterday, Mr Shimon Peres, the Labour leader, said the peace talks should be suspended while elections were in the air. But Mr Shamir is anxious not to jeopardise US economic assistance at a time of difficulty induced by mass Jewish immigration from the former Soviet Union, and he has promised to continue talks.

However, the issue of Israel's request for $10bn in US loan guarantees, which Washington insists on tying to a freeze on Jewish settlement building, took an embarrassing twist for Jerusalem yesterday.

Mr Avraham Burg, a Labour MP, released a copy of a letter from the Israeli embassy in Washington to all Israeli consulates in the US suggesting that the recent fall in President George Bush's popularity offered the chance for the US Jewish community to press Congress with renewed vigour to approve the assistance.

EC postal services face tighter regulation

By Roland Rudd

POST OFFICES throughout the European Community will have to publish detailed information on the performance of their services as part of a tighter regulatory framework proposed by the Commission.

The proposals are contained in the Commission's long-awaited green paper on postal services, expected to be published by the end of the month.

Most of the proposed changes are designed to increase competition, but they do not advocate the abolition of the national local letter delivery monopolies.

However, a final draft of the paper, prepared by Mr Pieter Weltevreden, director-general responsible for telecommunications, shows that the Commission will seek a number of measures to increase liberalisation as the price for supporting the monopolies.

Sir Leon Brittan, Competition Commissioner, has made it clear, according to Commission officials, that "monopolies are now the exception and not the rule".

The paper advocates an end to cross-subsidies from reserved letter areas to express mail. If a post office props up its parcels division, for example, by using revenue from its letters monopoly, this would be viewed as anti-competitive behaviour.

Each member state is also urged to set up a regulatory body to ensure that its national post office does not abuse its dominant position.

Cross-border competition is to be introduced by giving private postal operators the right to send outward mail to other post offices – known as remail.

The Competition Directorate has insisted that private couriers should also be able to receive international mail and deliver it within any of the 12 member states.

The paper states that it is not about to sanction the extension of monopolies. Neither will any member state be able to place restrictions on services which are currently liberalised.

Mr Jim Campbell, special counsel on postal affairs for the International Express Carriers Conference, said: "The most important thing that could come out of the green paper is for the Commission to open up cross-border mail to competition."

Commission officials say Sir Leon has made it clear that as the Community's postal services make their transition from a long tradition of legal protection they will continue to be pushed towards further liberalisation by competition rules.

The real pains of withdrawal

By Anthony Harris

One can only envy the Americans. When the dollar rises sharply in thin markets, contrary to the current game plan, there is no agonised national debate, nor even anything which could be dignified as a policy decision. An un-named Treasury official (aka Mr David Mulford, surely) simply rings one of many friends in the press and remarks that there is "no economic justification" for the rise.

Now go long of the dollar if you dare; his next call might be to more influential friends in the Group of Seven. The fact that they might not share his view, and that a strong dollar is profoundly welcome to the more embattled of America's trade partners, is immaterial. In thin markets, talking the dollar down is usually highly effective. The subsequent fall in the dollar can be explained as a market movement, not a national disgrace; and so the growth of exports, currently the only positive factor in the US economy, is protected.

Messrs Major and Lamont, inspecting the frost damage to the few green shoots they claimed to have found, must sometimes sigh in frustration. A devaluation would no doubt be seen as disgraceful and even cowardly; but it would work. There is no more reliable stimulus to a depressed economy than a gain in competitiveness, as Mrs Thatcher at least understood after the recovery from recession and over-valuation in 1982-83. It is also potentially inflationary; but that effect is most immediate in a fully stretched economy. It might be very slow and muted in this depressed, scared, price-cutting economy.

There is still an economic case for sticking to the painful road we have chosen, but it is essentially long-term, and highly debatable at that. The decisive objections are political; and for different reasons, a possible future Labour government will find itself equally politically constrained. But the decision will not be taken for want of discussion.

Meanwhile, the debate helps to sustain the pressure for a parity change, because it is bound to make the currency markets edgy. That means higher interest rates than would otherwise be needed, and a potential sterling crisis every time the trade figures take a lurch into the red. And in a vicious circle, each crisis will tend to renew the arguments. If and when the decision is finally taken – perhaps in a final pre-monetary-union realignment in Europe – the chancellor of the day will not be able to say, as poor Philip Snowden did in 1932: "Nobody told us we could do that."

The case in favour of the hard road would be easier to support if its proponents were blunter about just how hard it is. A frank challenge usually gets better results than double-talk and evasion. What we are engaged in is an attempt to change national behaviour, and especially the habit of British employers of buying productivity improvements, or just plain peace, with "excessive" wage increases. The excessiveness may be clear from a national point of view,

Messrs Major and Lamont, inspecting the frost damage to the few green shoots they claimed to have found, must sometimes sigh in frustration. A devaluation would no doubt be seen as disgraceful and even cowardly; but it would work.

but to a company which has just raised productivity and quality as, say, Rover has done, the figure may even look like a bargain.

The strategy is already producing the desired results in the most internationally exposed sectors of the economy; but it is anybody's guess how long it will take for good new habits to spread to the more sheltered regions, and bring the averages down. (Perhaps it is this contrast which explains why some defenders of the present exchange rate argue that we should stick to it because it is already working, and some because it has not had time to work.) Pessimists guess at a long depression (as in Eire); optimists at some years of sluggish growth (as in France).

The choice may look unattractive, but it is crucial. Slow growth and fairly stable employment are not much fun, but they are tolerable; but a long depression would provoke both people and capital into emigration. For that reason, the seemingly technical debate about the equilibrium exchange rate for sterling deserves much more serious attention than it has had up to now; it could settle the depression-versus-growth issue.

This column is not the place to get into the details; but it can list some of the pertinent questions. The first is to ask the defenders of the present exchange rate to produce some technical case for what they are saying. Up until now, it is the devaluers who have made all the running, attempting to estimate what rate would not only produce an appropriate trade balance (in surplus, that is to say, in a recession), but would tend to balance the flows of long-term capital, so that sterling need not be indefinitely sustained by attracting hot money. The resulting estimates of over-valuation are in the 10-20 per cent range.

The stick-it-out school, by contrast, relies on evasion ("Policy cannot change the real exchange rate"; or "Nobody can know the 'right' rate, anyway"), trade shares (flattered recently by the now-dead German boom) or largely meaningless history. The claim that the chosen rate is in line with the real average of the last two decades is true, but insignificant: it is the average of a roller-coaster whose track, set by oil resources and capital market fashions to name but two, is being reconstructed as we rise.

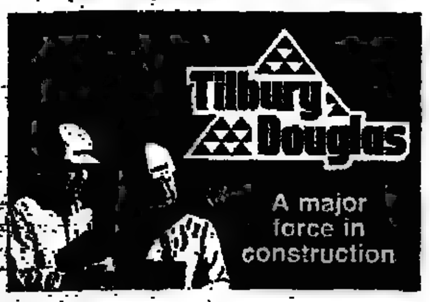
All we know for certain is that British money wages are still quite low, and social costs not only below average, but likely to fall further behind the main European economies. That is why Nissan and others continue to invest here, and is the real long-term case for hope.

But the short-term case for despair is that British unit costs are still rising faster than among our main competitors. Any over-valuation must be clawed back not just by falling into line with the competition, but by outperforming it. This means that every percentage point of over-valuation will probably take at least a year of misery to correct; so the numbers are vital. A government which understood this would surely be demanding a container-load of detailed studies. Its chances in the next election but one could depend on it.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	9	48
Algiers	S	16	61
Amsterdam	R	7	45
Athens	F	10	50
Bahrain	S	16	61
Bangkok	F	29	84
Barcelona	S	8	46
Beirut		–	–
Belfast	C	7	45
Belgrade	F	5	41
Berlin	R	4	39
Biarritz	C	7	45
Bombay	S	31	88
Bordeaux	C	-1	30
Boulogne	S	7	45
Brussels	R	5	41
Budapest	C	5	41
Buenos Aires	F	29	84
Cairo	S	18	64
Cape Town	S	26	79
Caracas	F	27	81
Casablanca	S	17	63
Chicago	S	-19	-2
Cologne	R	5	41
Copenhagen	C	2	36
Corfu	F	13	55
Dallas	S	-2	28
Dublin	C	8	46
Dubrovnik		–	–
Edinburgh	C	9	48
Faro	S	15	59
Florence	S	7	45
Frankfurt	C	4	39
Geneva	C	1	34
Gibraltar	C	14	57
Glasgow	F	9	48
Helsinki	S	-12	10
Hong Kong	S	16	61
Innsbruck	F	-2	28
Inverness	C	10	50
Islamabad	F	18	64
Istanbul	S	4	39
Jakarta	C	32	90
Jersey	F	7	45
Johannesburg	F	27	81
Lima	F	28	82
Lisbon	S	8	46
London	F	8	46
Los Angeles	S	9	48
Luxembourg	C	1	34
Madeira	C	17	63
Madrid	Fg	0	32
Majorca	F	13	55
Malaga	S	14	57
Malta	F	14	57
Manchester	C	8	46
Manila	C	30	86
Melbourne	S	30	86
Mexico City	C	21	69
Miami	S	19	66
Milan	C	0	32
Montreal	S	-23	-9
Moscow	Sn	-11	12
Munich	Sn	2	36
Nairobi	F	27	81
Naples	S	11	52
Nassau	C	23	73
New Delhi	S	17	63
New York	S	-11	12
Nice	F	12	54
Nicosia	F	15	59
Oporto	S	7	45
Oslo	F	-2	28
Paris	C	3	37
Peking	S	3	37
Prague	R	3	37
Reykjavik	S	3	37
Rhodes	S	11	52
Rio de Janeiro	C	29	84
Rome	S	9	48
Salzburg	C	3	37
San Francisco	S	8	46
Seoul	S	-1	30
Singapore	S	24	75
Stockholm	C	-4	25
Strasbourg	C	2	36
Sydney	F	25	77
Taipei	C	15	59
Tangier	S	17	63
Tel Aviv	C	14	57
Tenerife	F	20	68
Tokyo	S	8	46
Toronto	S	-17	1
Tunis	F	14	57
Valencia	S	11	52
Venice	S	5	41
Vienna	R	4	39
Warsaw	S	-1	30
Washington	S	-9	16
Zurich	C	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder



FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 20 1992

INSIDE

A dangerous place in the front line

IBM These are dangerous times for executives at computer group IBM. Their jobs are on the line if they fail to live up to the expectations of Mr John Akers, the chairman. Mr Nick Temple was chosen last week to take over as chief executive of IBM's UK subsidiary. His problems are made no easier by the fact that the UK is possibly the toughest computer market in the world. Page 14

Schroder Wagg at the top

J Henry Schroder Wagg has knocked SG Warburg from top place in the annual UK merchant banks' league table, derived from the 1992 edition of Crawford's Directory of City Connections. In the league table, which is based on *number of clients*, Schroder pipped Warburg for the top by picking up 25 new clients during 1991, giving it 126 to Warburg's 125. Page 14

Peel ahead midway

Peel Holdings, the UK property company that owns 55 per cent of the Manchester Ship Canal Company, reported improved interim profits after heavy losses in the latter half of the previous year. Page 14

Nasdaq up at dawn

By 3.30 Eastern Standard Time this morning a handful of bleary-eyed dealers will have struggled to their desks in New York. Nasdaq, the US over-the-counter-market, is launching a pre-dawn market in US stocks. Half a dozen people will have cut short their usual night's sleep, the market's computers will be fired up and the market supervision division will be staffed by a skeleton crew. The event is both banal and significant. Page 15

French water earnings tumble

Lyonnaise des Eaux-Dumez, the water distribution and construction group, estimates that net profits fell by up to 20 per cent to FFr1.13bn ($209m) last year, compared with FFr1.4bn in 1990. Page 15

Microsoft soars

Microsoft's sales and earnings soared in the second quarter as the US personal computers software company's "Windows" operating system continued to be in demand. Page 15

Market Statistics

Companies in this issue

Maxwell trust 'eager to help' inquiry

By Ian Rodger in Zurich

THE Liechtenstein-based Maxwell Foundation said yesterday that it was eager to co-operate with investigations into the disappearance of £1.3bn ($2.32bn) from the public companies controlled by the late Mr Robert Maxwell.

Mr Werner Keicher, a director of the Foundation, confirmed that his firm, Allgemeines Treuunternehmen (General Trust Co) of Vaduz, was involved with all six Maxwell related foundations, Corry, Allandra, Baccano, AKIM, Kiara and Jungo, named in a Financial Times article last Thursday.

The accounting firm Arthur Andersen, which is investigating the disappearance of funds from the Maxwell public companies and pension funds, believes these foundations were used to conceal the source of funds invested in, among other things, propping up the share price of Maxwell Communications (MCC).

Allgemeines Treuunternehmen also has close ties with Verwaltungs und Privat Bank in Vaduz.

The FT published portions of a statement of an account held at VP Bank by Corry showing rapid transfers of large sums and purchases of MCC shares.

Mr Keicher said his firm had "absolutely nothing to hide" and would co-operate as much as it could with the investigations under way. However, under Liechtenstein law, it could do so only if the beneficiaries or mandatories of the foundations willingly waived their right to secrecy or if the British authorities requested co-operation in connection with a criminal inquiry.

At the moment, it could not reply to inquiries from Arthur Andersen. "We hope to be able to talk as soon as possible. We do not like to read in the papers all this speculation," Mr Keicher added.

Although it has a reputation for shielding shady financial operators, Liechtenstein is concerned about its image and has shown its willingness recently to co-operate in overseas criminal investigations.

In late 1989, it helped the US Securities and Exchange Commission track down an insider trading offence when Mr Christian Norgren, then a director of Asea Brown Boveri (ABB), routed a large purchase of shares and options of Combustion Engineering of the US through a Liechtenstein company.

At the time, ABB was preparing a takeover offer for Combustion. "We have to play with open cards in cases like this," a Liechtenstein based lawyer said yesterday.

There have been suggestions that the use of the Maxwell foundations for share price manipulation was in breach of Liechtenstein law which states that the purpose of a foundation must be narrowly defined.

"In my opinion, there has not been an abuse of the law," Mr Keicher said. "We did not know if there was manipulation."

Guy de Jonquières on an unpleasant fragrance in the perfume industry

Selling bottled dreams at a big discount

An unseemly outbreak of bargain basement competition in Britain's £600m-a-year ($1bn) fragrance market is sending ripples of apprehension through the rarefied world of the luxury perfume industry.

Leading perfume houses have long commanded sky-high prices for products which cost almost nothing to make by spending lavishly on marketing and promotion calculated to create an aura of glamour and exclusivity.

As one industry executive candidly admits, the business is about selling dreams in a bottle.

However, the highly profitable industry is increasingly threatened by heavy discounting in the UK, where unauthorised distributors are selling top brands such as Anaïs Anaïs, Chanel No.5 and Opium for as much as 60 per cent less than the recommended price.

Price-cutting was initiated by two small retail chains, the Glasgow-based What Everyone Wants and Eau Zone, which operates eight outlets.

It has now been joined by three heavyweight store groups, Littlewoods, the Superdrug chemists chain, and Tesco.

Most of the companies - except Tesco, which declines to comment - report strong sales.

Their success has compelled some authorised distributors, which have all previously charged similar prices for perfumes, to respond.

For instance, the John Lewis Partnership is matching discount prices at selected stores.

The discounters are coy about their supply sources but are believed to buy from middlemen on the international "grey" market.

The big perfume houses are seeking strenuously to trace and plug the leaks.

"We are concerned. We have spent a lot of time trying to minimise the grey market, but we have not been able to police it completely," says a spokesman for L'Oréal, the French cosmetics company which is the UK perfume market leader.

Some manufacturers are now said to be experimenting with invisible package markings which would identify the source of illicit supplies.

Critics argue that the perfume industry is out to protect immoderate profit margins.

"At the end of the day there is a cartel, and it is looking to control retail prices," says Mr Philip Green, chairman of Amber Day, which owns What Everyone Wants.

The manufacturers vehemently deny such accusations, insisting they only want to ensure that retailers meet specified standards.

"In marketing up-market products, we provide support and services which obviously cost a lot of money," says L'Oréal.

"If the products are sold in a non-quality environment, over a period of time there is a cheapening effect."

A new front in the skirmishing has recently been opened up by Kingfisher, Superdrug's parent company, which also owns the Woolworth and B&Q chains.

It is threatening to involve UK and European Community competition authorities in an attempt to force manufacturers to supply it directly.

Superdrug currently sells perfumes, at discounts of up to 30 per cent, at two outlets in Newcastle and Epsom, Surrey.

It believes that by expanding distribution to its 650 chemists' stores nationwide, it could quickly capture 10-20 per cent of the market. That compares with the 35 per cent held by Boots, the market leader.

Mr Tim Clement-Jones, Kingfisher's company secretary, says direct supply would be both cheaper and more reliable than buying on the grey market, enabling Superdrug to raise its margins on perfume lines to 37 per cent from 27 per cent.

The company is basing its campaign on new distribution agreements negotiated recently by the European Commission with Givenchy and Yves Saint Laurent. The agreements, expected to become a model for the industry, allow perfume houses to limit distribution to outlets which offer satisfactory service and quality standards, but require that retailers be left free to set their own prices.

Kingfisher, which claims its two Superdrug outlets meet the EC criteria, has set out to test the regulations by inviting 25 leading perfume houses to supply it.

So far only one, unnamed, manufacturer has offered to do so.

Still, the campaign has won a small moral victory. Superdrug says Givenchy has agreed to inspect its Newcastle and Epsom stores with a view to considering them as authorised distributors.

As Superdrug points out with some relish, that marks an apparent volte-face by the French company.

Only last year Mr Peter Norman, its UK managing director was reported to have said that it would be "appalling" if Givenchy perfumes were sold by the chain.

Kingfisher has been working closely for some time with the Office of Fair Trading and has also been in touch with the Brussels Commission.

Last week, the company turned over copies of its correspondence with the perfume houses to the OFT, which has agreed to look into the matter.

If the campaign develops into a legal battle, much will hinge on the interpretation of the EC agreements, which have yet to be tested in the courts.

But there is little doubt that if Kingfisher won, the price-cutting door would be opened wide to others, in Britain and elsewhere in Europe.

Mr Green says that What Everything Wants plans to seek direct supplies shortly, while Kingfisher's campaign is also being followed closely by several large continental retailers, including Tengelmann of Germany and Ahold of the Netherlands.

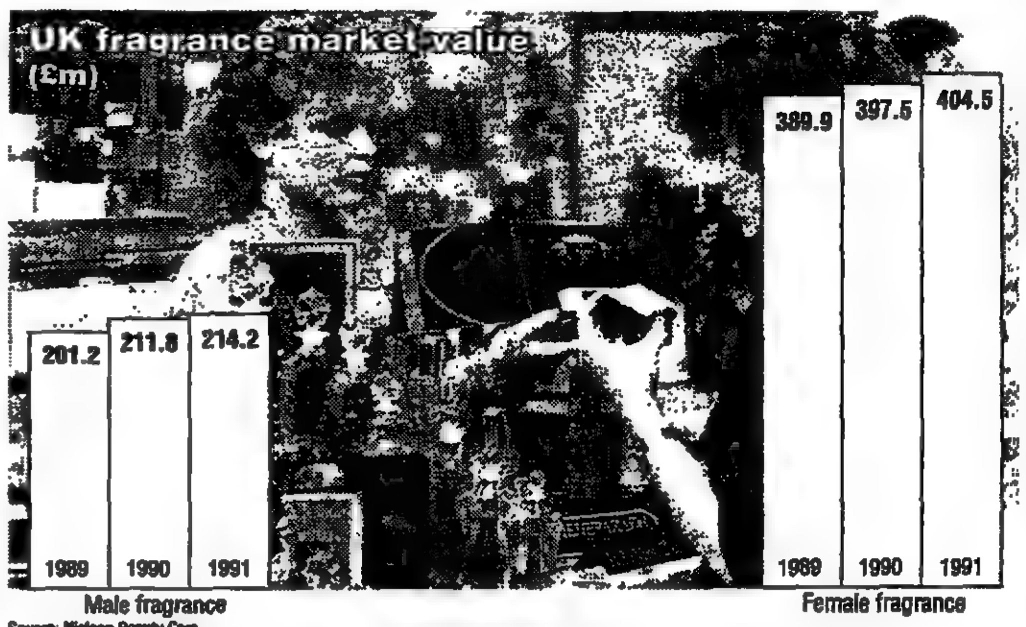
The stakes for the perfume houses are high.

Mr Peter McDougall, an analyst at BZW, the London securities house, argues that the spread of discounting threatens to plunge the industry into a vicious circle from which it would be difficult to escape.

"The more expensive a perfume is, the more exclusive it becomes, and the more it attracts discounting, which erodes the exclusive image," he says.

"The impact will be to shorten products' life cycles.

"That would mean the death of eternal brands like Chanel No.5, which have been around for decades."



Male fragrance
Female fragrance
Source: Nielsen Beauty Care

UAL says it faces biggest quarterly loss in its history

By Nikki Tait in New York

UNITED AIRLINES, one of the three largest US carriers, warns that its fourth quarter will show the "largest quarterly loss in the company's history".

This, said United, would "substantially exceed the previous largest quarterly net loss of $157m recorded in the first quarter of 1991". That reflected terrorism fears during the Gulf war. United added that the quarterly loss would reflect "among other things, a significant amount of non-recurring expenses".

This is the second time United has warned about the fourth-quarter figures. It suggested in December there would be a loss, although at that stage it blamed "a weak domestic economy and a poor pricing environment". On Friday the company declined to say why it had reissued the warning. The figures will be released on January 30.

United's pessimism comes in the wake of a relatively encouraging announcement from American Airlines, one of its big rivals, last week. American suggested that some of the extreme ticket-discounting on domestic fares was abating, a sentiment which others echo. Although AMR, the parent company, posted a $124.9m loss in the final three months, the news prompted share price gains in the sector generally.

United's shares have been particularly strong lately, as analysts have warmed to its $135m purchase of Pan Am's Latin American routes. Shares in UAL, the parent company, which were about $117 ahead of this transaction, closed on Friday at $156, down $3. The Pan Am assets may give United the most comprehensive global route structure; it already has a fairly strong Pacific presence and has been enhancing operations in Europe.

Town halls might drag the UK out of recession

Economics Notebook

By Peter Norman

Do Britain's local authorities hold the key to economic recovery?

It appears an unlikely question. But as City analysts have been scaling back their forecasts of growth for this year, some economists and members of Parliament have hit on increased local authority spending as a way of promoting activity.

In particular, the influential all-party House of Commons Treasury and Civil Service Committee (TCSC) believes local authorities should be allowed to spend more of the receipts they accumulated, from the sale of council houses and other property, on capital investment. At present, the use of such funds is strictly controlled by the Treasury as part of the government's policy of keeping a lid on public spending.

The TCSC is well qualified to comment on the issue. It reviews the government's spending plans each year. In recent months it has also been investigating the closure of the Bank of Credit and Commerce International. While scrutinising the losses of those local authorities which were unwise enough to leave large deposits with BCCI, it also unearthed figures showing that the sums placed by local authorities with financial institutions are very large indeed.*

The committee heard that local authorities had "just short of £8bn" ($14bn) invested with financial institutions – against the £10.2bn of spending that local authorities will determine for themselves and finance through poll tax receipts in the current financial year.

While investigating BCCI, the TCSC carried out its regular inquiry into the government's Autumn Statement†. This found that local authority capital expenditure rose significantly in the years to 1989-90, when it totalled £10.5bn, and then fell sharply to £7.7bn in 1990-91. Such spending is due to amount to £7.6bn in the current financial year, according to Mr Terry Ward, an economist and one of the committee's specialist advisers.

The committee noted that "an important element of public sector capital spending" had therefore "reached a peak when the economy has been at its strongest and fallen when activity has reduced". It recommended changes so that local authority capital spending "does not compete with the private sector during years of higher growth, but assists its suppliers such as the construction industry when growth is below trend".

At first glance there seems nothing more sensible than using some of the £8bn of local authority cash slumbering in the banks for public spending projects that could boost the economy. Mr Terence Higgins MP, the TCSC chairman and a former Treasury minister, has suggested such a course on condition that any such spending should be for a limited period of perhaps 18 months.

He cites the case of his Worthing constituency, which needs to buy two tractors to help remove seaweed from the beach but which, it seems, cannot make the investment under current government rules on public spending. Releasing funds for similar blocked spending by local authorities throughout the country could make a difference to the economy, he believes.

Mr Higgins points out that the recession has gone on longer than the chancellor hoped. All the evidence points to people taking advantage of lower interest rates to pay off debt rather than increase their spending. There is little to suggest that consumers will respond any differently to last week's mortgage rate cuts or any income tax reductions in the Budget.

But public spending questions in Britain are rarely simple. According to the Treasury, it is open to question whether the local authorities have a right to spend much of the £8bn they have on deposit.

These deposits have arisen in spite of government restrictions which insist that 75 per cent of receipts from the sale of housing and 50 per cent of other capital receipts should be used for the redemption of debt or in lieu of future borrowing.

It is unclear how much cash would be available for capital investment if all local authority debts were paid. When asked last week, the Treasury said that the amount could be "between £2bn and £8bn".

What the Treasury did make clear was its strong opposition to any extra spending by local authorities beyond that agreed in the last annual public expenditure round. A spokesman insisted last week that there were no grounds at present to relax public spending policies by allowing the authorities to spend some of their banked funds.

Such a move would loosen the government's fiscal stance. It would also risk channelling funds into areas of low spending priority. Releasing local authority funds could not boost the resources needed by British Rail or London Transport, for example. "Local authorities do little infrastructure spending apart from housing," the spokesman said, "and would housing be a government priority?"

So it looks as if there can be no unblocking of local authority funds to stimulate growth without a change of heart by Mr Norman Lamont, the chancellor. But the large sums deposited by the local authorities with financial institutions have helped focus attention on the oddities of Britain's public spending policy. Even those who fear greater spending by local authorities believe there is a case for the government to accelerate some public spending.

Professor Douglas McWilliams, the economic adviser of the Confederation of British Industry, says the public sector is quite likely to underspend its overall budget for capital projects this year by about £500m because the penalties for going over budget are severe. The government should therefore do everything possible to make sure that spending plans are carried out to the full.

Mr Higgins would like to see the chancellor adopt a more flexible approach to fiscal policy and use the March Budget to raise public spending if necessary rather than concentrate solely on taxation. "If you find the forecast has gone wrong, it may be more sensible to say let's use public spending to correct it instead of tax," he says.

Such a move would be a significant break with Conservative government practice since 1979. But it might help Mr Lamont to fulfil his ambition of entering the history books as a fiscal reformer.

**Treasury and Civil Service Committee. Second Report. Banking supervision and BCCI: The role of local authorities and money brokers. £22.20 from HMSO.*

†TCSC. First Report. The 1991 Autumn Statement. £23 from HMSO.

Peter Parker is chairman of Mirror MBO team

By Raymond Snoddy in London

SIR Peter Parker, former chairman of British Rail, was yesterday named as chairman of the management consortium hoping to buy Mirror Group Newspapers.

The appointment of a senior businessman such as Sir Peter, who until recently was chairman of the Rockware Group, could add weight to the buy-out team led by Mr Richard Stott, Daily Mirror editor.

"It is an utterly worthwhile thing and I have the time and space to do it," said Sir Peter yesterday. He is also chairman of Evered Bardon the quarry and building products group, Whitehead Mann the London-based headhunters, Mitsubishi Electric UK and of the governors of the London School of Economics. Sir Peter, 67, is ideologically compatible with the left-of-centre MGN group. He stood, unsuccessfully, as Labour candidate for Bedford in 1951, although now he is a Liberal Democrat.

Like other potential bidders for MGN, the management buy-out team cannot make a firm offer for the company until details of its assets and liabilities are available, following the collapse of the Maxwell empire. Large sums are missing from both MGN and its pension fund. The Maxwell private interests which hold 51 per cent of MGN's shares are in administration.

The options for financing the buy-out, which is being backed by Electra, the venture group, include issuing a convertible bond and a straight cash purchase. Apart from the management team, Hambros Bank has said it is looking at the possibility of putting a consortium together.

COMPANIES AND FINANCE

Schroder Wagg top in merchant bank league

By David Barchard

J HENRY Schroder Wagg has knocked SG Warburg from top place in the annual merchant banks' league table, derived from the 1992 edition of Crawford's Directory of City Connections.

In the league table, which is based on number of clients, Schroder pipped Warburg for the top by picking up 25 new clients during 1991, giving it 126 to Warburg's 125.

NM Rothschild has overtaken Morgan Grenfell and pushed into third place, while Hill Samuel, the loss-making merchant banking subsidiary of the TSB group, has slipped from fifth to seventh.

The merchant banking arms of most of the large clearing banks have lost clients: Barclays de Zoete Wedd has fallen by one place to ninth, pushing Samuel Montagu, part of Midland, to tenth. County NatWest remains at fourteenth, though its client numbers are down.

Among stockbroking advisers the blue-blooded Cazenove easily retains the lead. With 256 clients, it is far ahead of the runner up, Rowe & Pitman, with 171. UBS Phillips & Drew stands out as the main broker to take a tumble. It lost 14 clients last year and fell to eighth place from fifth.

The directory also supports the argument that British business is still overwhelmingly a male preserve. Women make up only 2 per cent of the top executives in British companies listed by Crawford's.

Though there are five chairwoman among 1,300 quoted companies, Ms Anita Roddick at Body Shop was the only female managing director and Ms Ruth Henderson, at the Alexon Group, the only woman chief executive.

Shares fall on warning from Brent Chemicals

BRENT Chemicals International, the speciality chemicals group, said sales in the last two months of 1991 were materially below expectations and warned that annual profits would be below those previously anticipated. However, they reiterated their intention to maintain the final dividend of 5.8p.

The market took the news badly, and on Friday the shares fell 18p to 117p.

The directors also said that they had implemented a further programme of redundancies, which was expected to cost £800,000. It will be taken as an additional exceptional item for 1991.

They added that the programme and other cost reductions made during the year were expected to reduce operating costs by more than £2.5m in 1992.

For 1990 the group achieved pre-tax profits of £13m.

Peel recovers to produce better half-time profits

By Andrew Bolger

PEEL Holdings, the property company that owns 68 per cent of the Manchester Ship Canal Company, reported improved interim profits after heavy losses in the latter half of the previous year.

It saw pre-tax profits rise from £269,000 to £1.64m in the six months to September 30 1991, although turnover fell from £43.04m to £29.8m, reflecting the ending of the group's housebuilding activities and reduction in the value of trading companies sold.

After tax and the payment of preference dividends, there was a loss per share of 0.39p (0.5p). The interim dividend is again 1p.

Despite the worst conditions in the property market for more than 50 years, the group sold investment properties worth £51.45m at just above book value.

But rental income held steady at £23.65m, partly reflecting the contribution from Manchester Ship, so the group had achieved its long-standing target of rental income exceeding debt charge.

Net borrowings, excluding Manchester Ship, continued to reduce and stood at £359.69m at the half-year. They had since come down to £342.07m, leaving the group £124m of undrawn banking facilities.

All banking covenants were being met by comfortable margins and cashflow was therefore satisfactory, quite independent of Manchester Ship, the directors said. The short-term aim was to reduce debt below £300m and then to concentrate for future sales on lower yielding assets in order to improve profitability.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acal ....fin	2.5	Mar 6	-	4.5	-
Kunick ....fin	0.6†	Mar 27	1.4	1.4	2
LPA Inds § ....fin	1.57	Feb 19	1.57	3.52	3.52
Micrelec § ....int	1.35	Feb 28	1.35	-	4.15
Peel Holdings ....int	1†	Apr 6	1	-	3
St Andrew Trust ....fin	4.85	Apr 27	4.7	7.55	7.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Lloyds Smaller Cos Tst raising up to £72m

By Philip Coggan, Personal Finance Editor

Lloyds Smaller Companies Investment Trust, a split capital trust, is aiming to raise up to £72.1m after expenses, via an offer for subscription on the main market.

The trust will have three classes of shares. The dividend shares will be entitled to all the income from the trust, but will be repayable at only 1p per share. The capital shares will receive no income but will be entitled to all the income.

The two shares will be packaged together for the purposes of the offer and will be sold as a unit at 100p each. Up to 75m packaged units are on offer.

The third class of share is a special share held by Lloyds. Should the trust be taken over, or should the management contract be lost by Lloyds Investment Managers, Lloyds will exercise the special share to ensure that its name is removed from the trust.

The trust will invest in companies within the bottom 10 per cent of market capitalisation of the London exchange, and expects to have a yield of 4.9 per cent.

The minimum application is for 1,000 packaged units and dealings are expected to start on February 13. The trust is capable of being placed in a Personal Equity Plan.

Marina accepts 180p offer from Yattendon Tst

By Jane Fuller

Marina Developments, which operates 16 marinas and is involved in related housing and commercial sites, is being taken over by Yattendon Investment Trust, the Iliffe family's private company.

The recommended cash offer of 180p a share, announced after the market closed Friday, values Marina at £31.2m. A full loan note alternative will be available. Marina's share price was unchanged at 98p.

Yattendon, where Mr Robert Iliffe is chairman, had built up a 24.5 per cent stake prior to the deal. It has acceptances for another 15 per cent.

Marina incurred a pre-tax loss of £2.8m in the half year to September 30.

Mr Philip Mason, the managing director, said it would have taken some time to restore a realistic level of earnings and to return to paying a dividend.

Marina's net debt was about £50m, compared with net assets in March of £118.5m.

The Temple plan moves into top gear

Alan Cane on the man chosen to bring IBM UK out of recession

THESE are dangerous times for top executives at International Business Machines, the world's largest computer manufacturer.

Their jobs are on the line if they fail to live up to the expectations of Mr John Akers, the group's beleaguered chairman.

For encouragement, they have the example of Mr George Conrades, formerly general manager of US operations, who was shifted publicly and brutally last year out of line management as IBM's profitability continued to drain away.

Spare a thought, then, for Mr Nick Temple, chosen last week to take over from Sir Anthony Cleaver as chief executive of International Business Machines' UK subsidiary. The job has changed out of all recognition since Sir Anthony, who retains the role of chairman, was appointed in 1986.

Then IBM had a leading share in the general expansion in data processing investment which characterised the 1980s. However, the recession has resulted in the UK company's performance lagging behind IBM as a whole – poor as that has proved to be in 1991 with a loss of some $2.8bn (£1.56bn). UK figures have not yet been broken out separately but they will undoubtedly be dismal.

Mr Temple's head will equally undoubtedly be on the block if his efforts to revitalise the company fail. His problems are made no easier by the fact that the UK is possibly the toughest computer market in the world – a natural cockpit for companies from the US, Japan and mainland Europe.

Chief executive at IBM UK now means presiding over the most profound reorganisation the company has ever undergone as it attempts to come to terms with falling hardware prices, customer resistance and a bloated bureaucracy.

Mr Temple's appointment came as a surprise only in its timing. He has been the heir apparent since the beginning of 1991 when, with Sir Anthony's encouragement, he was appointed general manager of IBM UK with the specific responsibility of devising and implementing a plan to cut staff numbers and improve efficiency in the company's marketing operations.

The two men are distinctly different in character and temperament. Sir Anthony, 53, who was knighted in the 1992 New Year Honours, is cool, private, a strategist who has "put together 15 of the last 16 business plans for IBM UK". A graduate of Trinity College, Oxford, he has maintained a life-long interest in education and training.

Mr Temple, 44, is expansive and physically dominating; he is universally recognised as an energetic and capable manager with the determination to force through unpopular measures. He has held a number of senior jobs in IBM including responsibility for all aspects of IBM banking and retail business in Europe and responsibility for building IBM's trade with the newly emerging economies of the eastern bloc.

Nick Temple: problems to be faced in tough market

Implementing the "Temple plan" has meant enormous, frequently painful, change, but both Mr Temple and Sir Anthony say that what has been achieved in 1991 goes beyond their expectations. They agree, however, as Mr Temple says, that it is "only the first leg of a long journey".

First, staff numbers have been cut through programmes of voluntary redundancy. Mr Temple had hoped that 1,000 jobs would go by 1993; in fact, 3,500 people left the company in 1991 reducing total numbers from 17,548 to 14,909. The cost of such an enormous exodus will inevitably be reflected in the annual figures, but Mr Temple argues that most restructuring charges have been taken last year leaving the company with a much more competitive structure for 1992. He does not expect staff numbers to fall much further.

IBM's redundancy package is generous and, cynically, it could be argued that the numbers leaving reflect chiefly the state of morale within the company. Mr Temple argues against this thesis, pointing out that regular opinion polls indicate that staff have the measure of the changes and are reacting positively.

Second, the proportion of staff having direct contact with customers has been increased from about 50 per cent to 70 per cent; this change is in line with the company's aim of switching to computer services as margins decline on hardware sales.

Perhaps the most controversial move has been into consultancy where IBM faces competition from the likes of Andersen Consulting and Computer Sciences Corporation. Consultancy involves understanding a customer's data processing problems and making recommendations to solve them.

For IBM, it has meant retraining staff on a large scale. Last year, the company spent £34m on education and training. Competitors argue that professional consultancy is a hard discipline and that IBM's attempts to break into the market using "retreads" is sheer cynicism. "A philosophy of despair," one said.

Incoming chief executives traditionally are allowed a honeymoon period. Mr Temple effectively had his in 1991: he will be judged by the quality of the results in 1992.

NHL will save £500,000 via 6 redundancies

By David Barchard

The troubles of National Home Loans, the loss-making mortgage lender, has taken a new turn. Mr Christopher Slay, an executive director, and the five heads of its management divisions were made redundant with immediate effect, which will save about £500,000.

NHL has been in the doldrums since the summer when a £200m rescue operation for its banking subsidiary had to be organised by the large clearing banks after local authorities withdrew their deposits.

In November it reported a £47.9m pre-tax loss after bad debt provisions of £88.7m.

The company said the six redundancies were part of moves to slim down the group while talks go ahead with possible buyers. Two German banks have been suggested as likely candidates to take a stake, in a rescue which would probably also require a call on shareholders for new cash.

Abtrust Scotland

The net asset value per share of Abtrust Scotland Investment Company stood at 30.3p on November 30 1991 against 27.8p a year earlier and 30.6p at the company's year-end on May 31.

Net revenue for the six months came out at £60,429 (£6,277) after tax of £20,143 (nil). Earnings per share were 0.24p (0.02p) and again there is no interim dividend.

Sutcliffe Speakman £1.8m in red

By Michiyo Nakamoto

SUTCLIFFE Speakman, the activated carbon company which had to be rescued by shareholders after it ran into financial difficulties last year, reported an interim pre-tax loss of £1.79m for the six months to September 30.

The result compared with a deficit of £11.18m in the nine months ended December 30 1990.

The loss, which came on turnover of £15.4m (£38.9m), included those from discontinued businesses. In engineering fabrication which was disposed of earlier this month for £600,000, the deficit was £700,000.

The group is trying to re-establish itself as a supplier of speciality activated carbons and solvent recovery plants after a high level of debts forced it to sell its water treatment and environmental engineering companies in late 1990.

Last year, in spite of the disposals, it had to refinance its debts and Mr John Bellak, non-executive chairman, who also headed Severn Trent Water at the time, was forced to resign.

Sutcliffe hopes that the sale of high technology carbons, which are used in environmental applications, will support its recovery as environmental legislation is increased.

The loss per share was significantly reduced to 1.6p (49.1p).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Danisco (Denmark)	Unit of Trinity International (UK)	Paper & packaging	£27m	Non-core divestment
Thames Water (UK)	FBL Holdings (US)	Water treatment	£26m	Diversification buy
Thames Water (UK)	UTAG (Germany)	Engineering	£23m	Diversification buy
ICA (Sweden)	Hagen (Norway)	Retailing	£22m	Creates new Nordic force
General Motors (US)/ Jinbei Automobiles (China)	Jinbei GM Automotive (JV)	Commercial verhicles	£18.5m	GM Chinese debut
Walt Disney (US)	CBS/MTM (US)	TV	£15m	US's TVS sells its half
ScottishPower (UK)/ Utilicorp (US)	Caledonian Gas (JV)	Gas	n/a	Utilicorp's 3rd such JV
Unilever (UK/Holland)	Unit of VMTV (Hungary)	Ice Cream	n/a	Growth investment planned
Consortium (France/ Germany)	Minol/Leuna (Germany)	Petrol & chemicals	n/a	Sweet and sour deal
Knauf (Germany)	Danogips (Denmark)	Plasterboard	n/a	Knauf now second biggest

Source: FT Mergers + Acquisitions International

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.01.92: Pool purchase price £/MWh	Final Prices for Trading on 22.12.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.22	17.19	17.19
0100	19.15	19.91	21.65
0130	25.98	22.50	24.33
0200	25.98	22.50	24.31
0230	18.01	20.92	22.86
0300	17.84	18.60	20.27
0330	17.84	18.60	20.27
0400	17.84	17.11	17.11
0430	17.13	17.03	17.03
0500	17.10	17.00	17.00
0530	17.04	17.01	17.01
0600	17.03	17.00	17.00
0630	17.03	17.00	17.00
0700	17.03	16.99	16.99
0730	17.03	16.99	16.99
0800	17.02	17.01	17.01
0830	17.03	17.01	17.01
0900	17.04	17.11	17.11
0930	17.06	18.71	20.43
1000	17.16	18.71	20.42
1030	17.17	18.71	20.42
1100	17.18	19.22	20.95
1130	17.47	19.46	21.22
1200	17.60	19.91	21.66
1230	18.11	20.60	22.38
1300	18.11	20.60	22.37
1330	17.56	20.60	22.36
1400	17.47	20.60	22.37
1430	17.14	17.36	17.36
1500	17.13	17.13	17.13
1530	17.13	17.19	17.19
1600	17.16	17.14	17.14
1630	17.15	20.60	22.36
1700	18.06	22.27	24.08
1730	19.67	23.00	24.83
1800	20.75	23.00	24.82
1830	20.75	23.00	24.82
1900	19.67	23.00	24.82
1930	19.67	22.27	24.08
2000	19.67	19.91	21.62
2030	17.47	19.43	21.12
2100	17.47	19.43	21.13
2130	17.47	19.43	21.13
2200	17.47	19.43	21.13
2230	17.14	19.36	21.05
2300	17.12	17.12	17.12
2330	17.12	17.06	17.06
2400	17.10	17.06	17.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 20.01.92: Pool purchase price £/MWh	Final Prices for Trading on 23.12.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.16	17.21	17.21
0100	17.47	19.43	20.92
0130	17.62	19.43	20.81
0200	17.62	19.43	20.80
0230	17.47	19.36	20.72
0300	17.47	19.36	20.73
0330	17.47	17.21	17.21
0400	17.16	17.10	17.10
0430	17.14	17.03	17.03
0500	17.14	17.03	17.03
0530	17.12	17.06	17.06
0600	17.14	17.07	17.07
0630	17.18	17.08	17.08
0700	17.38	17.16	17.16
0730	19.06	17.13	17.13
0800	19.45	18.31	19.66
0830	21.45	19.31	20.70
0900	21.51	19.32	20.71
0930	21.97	19.43	20.84
1000	22.08	19.66	21.60
1030	22.98	20.74	22.19
1100	20.46	20.74	22.18
1130	21.65	20.74	22.18
1200	21.65	20.74	22.18
1230	21.64	20.74	22.18
1300	20.16	20.74	22.18
1330	19.41	19.45	20.82
1400	19.16	19.45	20.82
1430	17.27	17.50	17.50
1500	17.26	17.50	17.50
1530	17.37	17.50	17.50
1600	17.36	17.76	17.76
1630	20.37	20.74	22.15
1700	35.87	21.90	23.94
1730	42.16	21.90	23.59
1800	42.74	21.90	23.33
1830	32.91	21.65	23.27
1900	21.74	21.65	23.26
1930	20.41	21.06	23.07
2000	20.03	20.60	22.20
2030	20.46	20.40	21.78
2100	20.18	19.32	20.86
2130	19.03	19.31	20.67
2200	17.77	19.31	20.67
2230	17.18	17.28	17.28
2300	17.14	17.09	17.09
2330	17.14	17.09	17.09
2400	17.12	17.07	17.07

Prices are determined for every half hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

COMPANIES AND FINANCE

Nasdaq keeps an early date with Europe

By 3.30 Eastern Standard Time this morning a handful of bleary-eyed dealers will have struggled to their desks in New York. Nasdaq, the US over-the-counter market, is launching a pre-dawn market in US stocks.

Half a dozen people will have cut short their usual night's sleep, the market's computers will be fired up and the market supervision division will be staffed by a skeleton crew. The event is both banal and significant.

The pre-dawn dealers do not expect a flood of orders for US stocks: European investors, at whom this new market is directly aimed, have not demanded a market in US stocks during their trading morning before.

Richard Waters looks at the launch in New York of a pre-dawn market in US stocks

US shares account for only 5 per cent of the trading through Seaq International, London's successful international equity marketplace – though not all trades need to be reported to the London Stock Exchange, making the official figures potentially misleading.

Nasdaq says it expects interest to be meagre at first. What demand there is, is likely to come from continental Europe rather than London, it says – a view confirmed by at least one marketmaker on the new market, which points to what it says is already a fairly active market in US stocks among continental European banks.

If, however, the new market proves a success, it could open the way for a true transatlantic stock market. Nasdaq says it would then extend the system to European stocks not already registered in the US, and take the market to US institutional investors. Whether they will be awake at 3.30am to buy European stocks is another matter.

Nasdaq International is the result of more than two years of effort, and represents significant regulatory concessions by the US Securities and Exchange Commission to allow a US market to compete internationally.

Normal market transparency rules have been relaxed: details of trades, though reported to the market authorities, will not be published, save for summary information after the international market closes (at 9am in New York – or 2pm in London).

Also, the SEC has granted access to the market to broker-dealers who are not members of the National Association of Securities Dealers, provided they are linked to a member.

On one vital issue, however, Nasdaq has yet to get its way – and as a result, most internationally traded US stocks will not appear on Nasdaq International when it is launched today. In certain market conditions, US securities rules forbid broker-dealers from going short in a listed stock in off-market trading.

That makes marketmakers on the new Nasdaq International unwilling to quote prices in New York Stock Exchange stocks. Instead, the handful of internationally known Nasdaq over-the-counter stocks – among them Apple Computer and Microsoft – will constitute the market at its launch. Only one marketmaker, the US firm Sherwood Securities, has said it will quote prices in a wide range of securities.

Most marketmakers plan to operate from London, not New York. Six – First Boston, Goldman Sachs, Lehman Brothers, Madoff Securities, Morgan Stanley and UBS Phillips & Drew – will input prices from their City offices today. There will also be three in New York (Sherwood, Herzog Heine & Geduld and Castle Securities) and one in Dallas (Rauscher Pierce Refsnes).

A handful of brokers will also have access to Nasdaq workstations, while prices for the new markets will be carried by a number of leading quote vendors, including Reuters, Quotron and ADP.

Air France improves in second half

AIR FRANCE, the state-owned airline, broke even at the operating level, or might even show a small profit in 1991, after making heavy losses in 1990, said Mr Bernard Attali, the chairman, Reuters reports.

The improvement, plus cash from asset sales, meant its second half made up for a disastrous first one. It should lead to a net loss for 1991 of about FFr700m ($127m), Mr Attali said. He gave no exact figures, as the 1991 accounts are still being prepared.

French water group sees net earnings tumble 20%

By William Dawkins in Paris

LYONNAISE des Eaux-Dumez, the water distribution and construction group, estimates that net profits fell by up to 20 per cent to FFr1.13bn ($209m) last year, compared with FFr1.4bn in 1990.

The fall comes after heavy provisions for the impact of the economic slowdown on the group's hotel and leisure industry construction businesses, and for its part in the Channel tunnel, where a dispute over extra costs is believed to be nearing settlement with Eurotunnel, the operator.

However, a large part of the provisions have been compensated for by capital gains on asset sales over the past year, part of the strategy of group chairman Mr Jerome Monod in focusing on the group's core businesses.

Jerome Monod: decline was less than expected

This meant the overall profit decline was less than the market had expected.

Lyonnaise des Eaux-Dumez expected net profits in the current year to recover slightly, to at least equal the 1990 result.

Final 1991 results, due to be published in the next few months, will also be hit by the poor performance of Westburne, the Canadian building materials and electrical equipment distribution subsidiary, the group warned.

● The Australian subsidiary of Paris-based bank Société Générale has joined the Sydney Futures Exchange as a floor member, Reuter reports.

Société Générale Australia Futures joins 28 other Australian and international financial institutions as a floor member.

Half-time surge for Microsoft

By Louise Kehoe in San Francisco

MICROSOFT'S sales and earnings soared in the second quarter as the US personal computers software company's "Windows" operating system program continued to be in demand.

Net income for the quarter to end-December was $175m, an increase of 55 per cent over the $136m in the corresponding period a year ago. Earnings per share rose to 90 cents from 61 cents.

Revenues of $682m for the second quarter were up 48 per cent on the $461m in the same period of fiscal 1991.

Strong demand for the Windows operating system and applications programs for Windows, drove second-quarter sales, Microsoft said.

Since the launch of Windows in May 1990, more than 9m copies have been sold, the company said. The program provides a graphical interface for users of IBM-compatible personal computers, making the computers easier to use.

For the six-month period, revenues were $1.3bn, a 52 per cent increase over the $830m recorded for the same period of fiscal 1991.

Net income for the half year rose 59 per cent to $319m from $201m in fiscal 1991. Earnings per share were $1.65 for the six-month period, up from $1.08.

Microsoft's sales grew, despite a downturn in the personal computer market.

According to a study published today by Dataquest, the US market research group, personal computer sales revenues fell by almost 8 per cent in 1991 from the previous year.

However, while the value of personal computer sales has declined, unit sales continue to grow, expanding the market for Microsoft's widely used software programs.

South Africa plans first Ecu Eurobond offering

By Tracy Corrigan

SOUTH Africa plans to follow up its return to the international capital markets last September with its first Ecu Eurobond, possibly later this week. The French bank, Paribas, is believed to have been awarded the mandate to arrange the offering of five-year bonds.

Paribas was also involved in South Africa's DM400m ($250m) deal in September. Swiss Bank Corporation is said to be joint lead manager.

Banks involved in the deal stand to lose the business of some Canadian state borrowers, which have a strict policy on the matter.

Up to 80 per cent of South Africa's D-Mark issue was placed within Germany, mainly with retail investors.

An Ecu offering would test South Africa's appeal to a wider investor base.

South Africa's return to the international capital markets has met some opposition.

A $200m Eurobond for the Independent Development Trust, a government-funded health, education and housing trust, had to be pulled last November, when the African National Congress refused to back the deal. The African National Congress's approval for this offering will not be sought, banking sources said. The African National Congress opposes new international borrowings by the present government and an African National Congress-led administration may not honour new loans.

Thyssen units to merge operations

By Quentin Peel in Bonn

THE management boards of Thyssen, Germany's biggest steelmaker, and its steel-making subsidiaries Thyssen Stahl and Thyssen Edelstahlwerke, yesterday gave their blessing to a merger of the activities of the two operations.

A brief announcement said the move was unanimously approved as "the appropriate answer to the current profit situation and to the likely market development".

The move follows several years of losses at Thyssen Edelstahl, the special steels manufacturer, and inconclusive negotiations with Krupp, the rival steelmaker, over a proposal for co-operation in special steel manufacture.

Results are to be produced at both subsidiaries later this month. Thyssen Edelstahl lost DM176m ($110m) on turnover of DM3.9bn in 1990, while Thyssen Stahl saw a 16 per cent drop in profits on turnover of DM10.5bn. Both have been hit by low world prices and demand, and most recently by the slowdown in the German metalworking and engineering industries.

The company statement said the merger plans would now be discussed with the group's employees, before coming for a final decision to the supervisory boards of the companies in June.

UK fund to be distributed in Germany and Holland

By Norma Cohen, Investments Correspondent

THE first UK unit trust to be approved for distribution in Germany and Holland has been launched by private client stockbrokers Adams and Neville, and will invest in international equities.

The fund, to be known as Millenium International Fund, will hold a 35 to 45 per cent weighting in European equities, with specialisation in medium-sized companies in growth sectors of the market. Funds will also be invested in listed equities in the US and Asia.

The units will initially be priced at $10.55 each, with a minimum holding of $5,000. The purchase price will include a preliminary charge of 5.5 per cent.

While new so-called UCITS legislation on retail investment vehicles allows funds in one EC country to be marketed in another, Millenium has not been designed as an EC-wide vehicle, and permission is being sought for distribution in Australia and the Far East as well.

The fund will be distributed in Germany through a German broker, CRM Securities, a subsidiary of Amro Handelsbanken. In Germany, about 90 per cent of retail investment products are distributed through banks which largely sell their own products.

Non-domestic producers have had to rely on the new independent financial advisory sector for distribution.

Hertz faces legal action over daily surcharges

HERTZ, the leading car rental company in the US, is facing legal action from New York City and New York State over its decision to impose a daily surcharge on renters in four of the five NYC boroughs, writes Nikki Tait.

The two authorities allege the surcharge represents illegal discrimination and will weigh unfairly on areas where there are large ethnic groups.

Hertz claims its action reflects the underlying cost situation – with rentals from these areas tending to result in more accidents and suits from pedestrians and others injured.

NRI TOKYO BOND INDEX

December 1983 = 100	16/01/92	Average yield (%)	Last week	12 wks ago	25 wks ago
	PERFORMANCE INDEX				
Overall	169.88	5.57	169.88	164.48	156.41
Government Bonds	168.70	5.41	169.02	162.73	153.99
Municipal Bonds	171.73	5.93	171.38	166.71	158.18
Gov.-guaranteed Bonds	174.09	5.92	173.63	169.15	161.01
Bank Debentures	165.64	5.35	165.48	160.68	153.52
Corporate Bonds	171.63	6.43	171.57	166.85	159.78
Yen-denom. Foreign Bonds	174.77	7.12	174.49	171.95	165.56
Government 10-year†	5.60		5.53	5.97	6.67

† Estimated par yield

Source: Nomura Research Institute

Kellogg earnings advance 9%

By Nikki Tait in New York

KELLOGG, the large US cereals group which has been fighting back against intense competition in its domestic market, reported an 8.9 per cent profits increase to $118.2m after tax in the final three months of 1991.

The fourth-quarter result came after a $15m one-time charge and translated into earnings per share of 49 cents. This was broadly in line with analysts' expectations, although the shares eased $2¼ to $59¾ on Friday.

Earnings for the full year stood at $606m, up by a fifth on the previous year's $502.6m, on sales of $1.45bn ($1.36bn).

Mr Arnold Langbo, Kellogg's new chairman, said that there had been "strong volume increases in ready-to-eat cereal sales around the world" and was optimistic both over growth for "1992 and the long-term".

Kellogg came under intense pressure in its home market from both General Mills, its big US rival, and private label producers in 1989 and 1990, but it has been mounting a strong effort to regain market share.

Domestically, this had fallen from over 41 per cent to under 38 per cent; on Friday, the company claimed that the figure had stabilised at around the 38 per cent level by end-1991.

● ANHEUSER-Busch, the largest US brewer and best known for its "Budweiser" brand, claimed that it is "on target" to gain a 50 per cent share of domestic beer market by the mid-1990s.

It said that market share overall reached 44.1 per cent in 1991, an increase of 0.7 of a percentage point during the year – and has already topped 50 per cent in the light beer segment.

It added that the 1991 profits, to be reported in early-February, should reach a new high.

In 1990, they were $842.4m after tax, and analysts have been predicting around $930m-$940m for the year which has just ended.

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptns	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Investors nervous on supply signs

BUYING pressure for gilt-edged securities continued, even though at the end of last week investors showed a touch of nerves on indications about a large supply of the instruments over the next two years.

During the week yields came down by about 10 basis points for long-dated securities and by slightly more for instruments at the short end of the yield curve. But, the accompanying rise in prices was reversed on Friday after news of a £1.2bn public sector borrowing requirement in December, far *above most City estimates. The* figure indicates that the Treasury's forecast of a £10.5bn PSBR for 1991-92 is unlikely to be met. It is more likely to be about £12bn, with a borrowing requirement of perhaps twice this in 1992-93.

Of concern to many investors is that a large increase in gilt issues – which would be needed to pay for public spending over the next two years – could lead to a glut of the securities, depressing prices.

Other potential negatives for gilt investors concern the election, which must be fought by July. A change of government would introduce new uncertainties into the gilt market, which is worried by the prospect of the still larger borrowing that could be required to pay for a Labour administration's spending plans.

Such considerations, and the possibility that sterling might further test its limits in the European exchange-rate mechanism (ERM) over the next few months, have led some gilt specialists to wonder if the recent rise in gilt prices might be about to end.

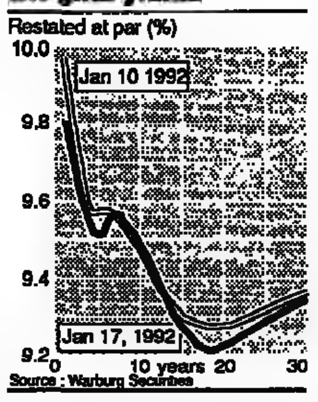
Mr Mark Cliffe, an economist at the London office of Nomura, the Japanese stockbroker, said he thought the market had recently indulged in "wishful thinking" about the prospects for gilts. In his view, the difficulties because of the ERM constraint in reducing UK base rates from their current 10.5 per cent would decrease the popularity of the government, reducing its *chances of a clear-cut election* victory.

If Mr Cliffe is right, the recent downward movement for yields will soon start to run out of steam. The underlying support by many investors for gilts in the second half of 1991 was highlighted by a Bank of England report showing long-term investors such as pension funds, insurance companies and investment, unit and property unit trusts, bought a net £1bn of UK government securities in the third quarter of 1991 after being net sellers of nearly £3bn of such securities in the first half of 1991. The institutions sold a net £2.96bn of UK government securities in 1990 and £6.49bn in 1989 when the government's finances were in surplus.

Last week the trend of continued gilt purchasing was clear, with prices edging up. The Treasury 9 per cent bond maturing in 2008 was quoted on Friday night at 98¾, a rise of just under 1 point on the week, while the shorter-dated 10 per cent Treasury stock due in 1994 rose in price by rather less. It was quoted at 100⅜ on Friday, from 100⅛ the previous week.

UK gilts yields

Restated at par (%)



Source : Warburg Securities

The only stocks which fared poorly (with yields staying roughly unchanged) were in the 10-year maturity range. This area of stock is to feature in a Bank of England gilt auction on January 29, with the Bank due to announce tomorrow further details, and the likelihood of up to £2bn of gilts in this maturity range coming on to the market in the near future kept many investors from buying.

Part of the reason for the price increases were a spate of data which were favourable for bonds generally. They showed little sign of an imminent end to the recession, and indicated inflationary pressures in the UK economy are likely to remain low, a development which will probably tempt more investors into bonds as opposed to other types of stock.

Figures from the Central Statistical Office showed that in December the year-on-year rate of increase in prices of goods at the factory gate – the key measure of core inflation – was the lowest for 2¼ years. In December, prices at the factory gate were only 5 per cent higher than in December 1990, against a rise of 5.1 per cent in the 12 months to November.

Meanwhile, the retail-prices *index, which provides a measure* of so-called headline inflation, rose by just 0.1 per cent between November and December, the lowest figure since July. Even though the year-on-year rate last month rose to 4.5 per cent, from 4.3 per cent in November, behind the figures is a large element of price cutting in shops and by companies offering consumer services, underlining the weakness in the economy.

A continued fall in inflation is good news for the government. But a problem for the Conservatives is that, due to the ERM factor, a cut in UK base rates is likely only after the German Bundesbank decides its rate reduction. And that may not be until well into the spring, or even later, a development which may be delayed too long to boost the "feel good" factor among voters and so help the Tories' chances in the election.

Peter Marsh

US MONEY AND CREDIT

Treasuries fall victim to Wall St

IS THE US Treasury bond market a victim of the current conviction on Wall Street that a strong US recovery is coming sooner rather than later? That would appear to be the case, given that bond prices fell for most of last week (Friday was the exception) as optimistic equity investors continued to push up the Dow Jones index.

The US stock market has been on a roll ever since the Federal Reserve's one-point cut in the discount rate on December 20, but it is difficult to find evidence of recovery to explain easily the 12 per cent rise in the Dow Jones average that has come with the rally.

It cannot be said that the raft of recent macro-economic indicators has provided a clear compass. Indeed, the only logical, albeit partial, explanation for the rally is that lower yields in money market funds and other instruments have persuaded investors to shift money into equities.

The stock market has convinced itself, however, that a big US recovery is around the corner. And the bond market, which thrives on bad economic news, has been hit by a sell-off. The benchmark 30-year US Treasury bond declined last week, finally staging a comeback on Friday on the back of a reported fall in the University of Michigan's consumer sentiment index for December and a decline in US industrial production for December.

By Friday evening the yield on the benchmark 30-year bond stood at 7.60 per cent, up from 7.43 per cent a week earlier. The sell-off in Treasuries reached its peak last Thursday, when the declining price of the 30-year benchmark pushed the yield up to 7.67 per cent. The number that provides perspective on current trading is the 7.35 per cent yield that came just after the Fed's interest rate cut last December.

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	2.00	3.63	4.00	11.00	2.00
Three-month Treasury bills	3.86	3.90	3.76	8.29	3.76
Six-month Treasury bills	4.01	4.00	3.95	7.70	3.95
Three-month prime CDs	4.12	4.07	4.30	7.17	4.01
30-day Commercial Paper	3.98	4.00	4.50	7.12	3.98
90-day Commercial Paper	3.94	3.97	4.20	7.02	3.94

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97¾	-1⅛	6.79	6.53	6.53
20-year Treasury	116⅜	-2	7.41	7.19	7.35
30-year Treasury	104½	-1	7.61	7.46	7.57

Source: Salomon Bros (estimates).

Money supply: In the week ended Jan 6, M1 fell by $3.7bn to $892.4bn

Mr Philip Braverman of DKB Securities called many of the credit market's beliefs about an economic recovery "an erroneous interpretation of misleading evidence".

The US economy, as Mr Braverman put it, "is not in recovery – not in the fourth quarter, and certainly not in the first quarter". Like others, the DKB economist feels the strength of the equity market (and the corollary weakness of the bond market) primarily reflects a portfolio shift of investment funds from debt because money funds and CDs pay much less than depositors and investors are accustomed to receiving.

The declining money supply figures released last week also appear to reflect the shift out of money market funds by investors seeking higher yields on the back of the equity market's rally. One glimmer of hope for the bond market is the likelihood of a further easing of monetary policy by the Federal Reserve, a move many think will come by mid-February.

Fed policy is presently on hold, but several market watchers think Mr Alan Greenspan, the Fed chairman, will support a modest further cut in the discount rate and the Fed funds target as more data shows the weakness of the US economy for the month of January 1992. On the other side of the equation, the bond market may be unnerved again by the election year package of tax cut plans President Bush will unveil in his State of the Union message. Few serious economists believe the tax cuts are likely to be approved in the short-term or that they will have a real impact on consumer spending for many months, but worries over the future impact of such cuts on the already bloated US budget deficit will almost certainly affect bond market sentiment.

It looks, therefore, as though the Treasury market may be incapable of taking a firm view in coming months. The analysts at Donaldson, Lufkin and Jenrette reckon an eventual recovery in the second half of 1992 will push the yield on the 30-year bond up to 8.50 per cent, while the economy's weakness in the short-term outlook remains reasonably constructive.

Economic data expected this week will include initial weekly jobless claims, which are likely to be up slightly. On Thursday, the release of figures on housing starts could offer a slight improvement on the previous month's 2.9 per cent *fall in housing permits.*

Neither of these statistics will be compelling proof of much, and therein lies the problem. If the equity market keeps rallying – regardless of whether such a rally is warranted or not – investors in Treasury bonds could be in for a rocky ride.

Alan Friedman

JAPANESE BONDS

Optimists expect further discount rate cut

THE PROLONGED rally in the Japanese government bond market came to a halt last week – though not for long. By Friday, with further official confirmation of the sharp slowdown of the Japanese economy, *prices* seemed back on their upward path. Bond market optimists were left once again looking *forward* to a cut in Japan's official discount rate from its current 4.5 per cent.

The 15 basis point rise in the yield on the benchmark bond no 129 as the week progressed may seem too meagre to constitute a significant reversal for the market. But after a virtual one-way drive since last summer, which has seen yields plummet from 6.9 per cent last June to 5.275 per cent earlier this month, the switch in direction was a novelty.

Profit-taking was blamed in part for the move, but the more significant reason was the fall in the yen, one of the casualties of the US dollar's re-emergence so far this year. Before last week, the unstoppable rise of the yen had mirrored the fall in bond yields, from Y143 to the dollar last June to around Y123 soon after the new year.

But the gathering signs of confidence over the US economy *helped* to reverse *this*, pushing the dollar up to Y128 during the week.

The inflationary implications of a weak yen may have knocked the steam out of the bond market, but was it an over reaction? According to Mr Gerard Lyons, chief economist of DKB International in London, a rate of around Y130 to the dollar would not necessarily prove inflationary – especially with oil prices remaining soft. On this reading, the threat of imported inflation was not as severe as the market seemed to indicate. Also, many market observers predict the dollar rally has been too much, too soon: the bubble of optimism which has driven the market will not last without early signs of US recovery.

By Friday night a sharp reversal wiped Y3 off the value of the dollar, thanks to disappointing industrial production figures in the US and reports of co-ordinated intervention to support the yen.

The attention of the Japanese government bond market had already returned to the domestic front. Earlier, reports of comments by Bank of Japan governor Mr Yasuchi Mieno brought further confirmation the slowdown in the Japanese economy was intensifying.

The market is now free to return to its familiar game of predicting the next move in the Official Discount Rate. The general view: another *0.5* percentage point cut, sometime in the spring.

Richard Waters

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 96	[illegible]	[illegible]	[illegible]	[illegible]
ABN 9 1/8 94	[illegible]	[illegible]	[illegible]	[illegible]
AETNA LIFE & CAS 7 3/4 16	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 8 5/8 96	[illegible]	[illegible]	[illegible]	[illegible]
ALBERTA PROVINCE 9 3/8 95	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN EXPRESS 0 00	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN GENERAL 9 3/4 95	[illegible]	[illegible]	[illegible]	[illegible]
AMERICAN INTL 0 04	[illegible]	[illegible]	[illegible]	[illegible]
ASIAN DEV BANK 0 04	[illegible]	[illegible]	[illegible]	[illegible]
ASIAN DEV BANK 8 96	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIA 11 95	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 7 3/4 97	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 8 1/2 00	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA 9 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]
BANK OF TOKYO 8 3/8 96	[illegible]	[illegible]	[illegible]	[illegible]
BARCLAYS JERSEY 10 5/8 96	[illegible]	[illegible]	[illegible]	[illegible]
BAYER USA 8 1/4 96	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM 8 97	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM 8 3/4 98	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM 9.2 10	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM 9 5/8 98	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 7 3/4 97	[illegible]	[illegible]	[illegible]	[illegible]
BFCE 9 1/4 95	[illegible]	[illegible]	[illegible]	[illegible]
BNP 8 5/8 94	[illegible]	[illegible]	[illegible]	[illegible]
BOOTS 9 97	[illegible]	[illegible]	[illegible]	[illegible]
BP AMERICA 9 3/4 99	[illegible]	[illegible]	[illegible]	[illegible]
BP CAPITAL 9 1/8 94	[illegible]	[illegible]	[illegible]	[illegible]
BPCA FINANCE 8 3/8 98	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH GAS 8 3/8 99	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH TELECOM FIN 8 3/4 99	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH TELECOM FIN 9 3/8 96	[illegible]	[illegible]	[illegible]	[illegible]
CAISSE NAT ENERGIE 11 3/4 95	[illegible]	[illegible]	[illegible]	[illegible]
CAMPBELL SOUP 10 1/2 95	[illegible]	[illegible]	[illegible]	[illegible]
CANADA 9 96	[illegible]	[illegible]	[illegible]	[illegible]
CANADA 10 95	[illegible]	[illegible]	[illegible]	[illegible]
CANADIAN PACIFIC 7 1/2 96	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on January 17

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Neste restructures $400m 10-year loan

NESTE, the Finnish state-owned oil company, has been forced to restructure its $400m 10-year syndicated loan and offer more attractive fees to landers, after its original deal was cold-shouldered by the syndicated loans market.

The deal – a project finance facility for Neste Petroleum, Neste's wholly owned Norwegian subsidiary – has attracted only $150m from banks since its launch at the end of November. Chase Investment Bank and Citicorp Investment Bank are relaunching the deal with the following changes:

- An agreement from Neste, the parent company, to provide a completion undertaking, ensuring the company has sufficient funds to cover any calls for cash on the two oil projects concerned. The money is intended to finance the development of the Brage and Heldrun oil fields.
- The definition of completion now includes both oil fields and not just Brage.
- The banks will be provided with an independent report on the oil reserves within 12 months, an amendment intended to dispel doubts about the figures originally provided.
- Front-end fees have been increased while the margin over the London interbank offered rate (Libor) and the commitment fees are unchanged. Front-end fees have been raised from 20 basis points to 32.5 basis points on $35m, from 15 basis points to 23.5 basis points on $25m and from 10 basis points to 15 basis points on $15m. The margin is between 60 basis points and 102.5 basis points over Libor, depending on coverage ratios, while the commitment fees range from 22.5 basis points to 27.5 basis points.

The oil and energy sector was the source of several deals recently in the syndicated loans market. The latest deal is a £375m loan for Keadby Power. The mandate for the 17¾-year loan has been won by UBS and NatWest. The margin is 120 basis points over Libor during the construction period and between 110-115 basis points over Libor thereafter.

Elsewhere, Chase has completed a seven-year, FFr227.5m financing for an Italian borrower – Societa Italiana Per Il Traforo Del Monte Bianco, the Italian company with a concession for developing the motorway linking Val D'Aosta with the Mont Blanc tunnel. Autostrade, the Italian motorway operator, owns 51 per cent of the company and is guaranteeing the entire loan.

Italian state-controlled borrowers have been largely out of favour since the Federconsorzi scandal last summer. Many international bankers had regarded Federconsorzi, the financially troubled farm services co-operative, as carrying a state guarantee and were furious when the Italian authorities and public-sector banks refused to compensate foreign lenders. But, Chase claims the Mont Blanc deal was "comfortably oversubscribed" and the proceeds were swapped into lire to provide more advantageous terms for the borrower. The deal carries a margin of 52.5 basis points over Libor and fees of up to 20 basis points for participations of FFr40m, and of 15 basis points on participations of FFr20m.

Sara Webb

EUROMARKET TURNOVER ($m)

	Primary Market US $	Primary Market Non-$	Secondary market US $	Secondary market Non-$
Fixed income bonds				
Euros straight	1,566.2	2,217.4	22,673.0	82,680.9
Other straight	0.0	1,198.5	1,316.1	120,424.3
Convertible	0.0	0.0	1,186.9	1,343.8
Money market instr				
FRN	318.0	342.3	6,608.0	2,957.8
CD's	310.5	91.9	1,312.7	876.2
Short & MT Notes	14,218.9	8,067.1	7,867.8	12,948.7
Warrants	0.0	0.0	872.0	289.8
Equities	7.2	0.0	220.7	1,147.5
Total	16,110.8	9,914.9	42,342.2	303,882.8

	Cedel	Euroclear	Total
US$	21,654.4	66,798.6	88,453.0
Other	69,358.6	144,239.2	213,597.8

Week to January 16 1992

The Warrants and Equities figures are from Euroclear only

Source ISMA

INTERNATIONAL BONDS

Europe benefits from heavy reallocation of US assets

THE FRENCH government is in talks with banks about an issue of 30-year Ecu bonds, under its Ecu OAT programme. Such an issue would substantially extend the Ecu yield curve, a gap which will also be filled by the UK's first auction of three-year Ecu Treasury notes this week.

Rumours of the French plans had a negative impact on what currently constitutes the long end of the Ecu bond market – Italy's 20-year deal – which fell around 40 basis points in price, on expectations of the supply.

The French deal under discussion is expected to total Ecu1bn-Ecu2bn. The Treasury plans to control stripping of the bond to preserve as much liquidity as possible, by restricting stripping to market makers in the programme, market sources claim. "Stripping" a bond involves reducing it to its component parts by selling each coupon separately, leaving a zero-coupon bond, so an investor can buy, for example, a piece of paper which pays interest once only, in 25 years' time.

THE SPEED and scale of the shift out of the US Treasury market into European bond markets last week surprised many of the traders who had predicted such a move this year.

"There has been a massive reallocation of assets, in a very volatile market," one trader said. A significant portion of the funds involved originated in the US: dealers said the first to make a move were the leveraged funds, which tend to be more speculative, followed by proprietary traders at banks, and finally, and in reasonably large volume, US mutual funds and insurance funds.

The shift is perhaps more surprising, given that the dollar at last appears to have bounced out: during the last two weeks, the dollar has strengthened by around 10 pfennigs. However, traders believe many US investors have been switching the foreign exchange exposure of their European bond investments back into dollars. (In fact, this hedging activity may have been a factor in the strengthening of the dollar.)

What the move does underscore is a strong view on the path of European interest rates compared with the US. The US bond market underwent a sharp correction over the past week or so, as investors decided to position themselves for ultimately higher US rates and for lower European rates at the next change in rates.

Although the US market recovered somewhat at the end of last week – from what many traders felt was an oversold position – the strong wave of enthusiasm for US securities over Christmas and the New Year has waned.

Having missed the strong rise at the end of the year, many traders became involved in what some term "a lemming trade". The heavy flow of new issues in the Eurodollar and the US corporate bond market has added to the strain, and forced Eurobond spreads to widen, even as the market fell.

Some traders maintain the US will see another interest rate cut, and argue the current shift is not logical. Certainly, it does not seem to be based solely on economic fundamentals or trading technicalities and the recent volatility in prices seems to have left traders uncertain where value lies.

The main beneficiaries of the move into European bonds have been the mainstream markets: first the German Bund market and then the French OAT market, and, to a lesser degree, the gilt market and the Dutch government bond market.

The strength in the German and French markets also provided a fillip for the Ecu bond market, where there was aggressive buying of four to six-year bonds.

The preference for this area of the yield curve reflects a view on falling interest rates, but also the recognition of a cheaper area of the yield curve, which had become quite inverted due to buying at the long end.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
MBL Fin.(Curacao)(d)†	780	2002	10	7	100	Mitsubishi Finance Intl.	7.000
Credit Local de France†	500	2002	10	7⅛	98.96	Deutsche Bk Cap.Mkts.	7.275
Credit Lyonnais(e)†	250	1995	3	5¾	99.82	Credit Lyonnais	5.817
Kingdom of Denmark†	200	1997	5	6⅜	101.325	SBC	6.084
EIB†	400	2002	10	7¼	99.81	IBJ Int.	7.152
Republic of Austria†	400	2004	12	7¼	98.93	CSFB	7.388
Mitsui Eng.& Shipbldg.♦	580	1996	4	3⅛	100	Nomura Int.	3.125
Sega Enterprises(k)§	200	1998	4.167	(3½-4)	100	Nomura Intl.	-
KFW Int.Finance Inc.†	300	2007	15	7½	98.91	Deutsche Bk Cap.Mkts.	7.624
Petrobas†	250	1993	1	10	100.52	CSFB	9.411
ABB Int.Finance†	200	1996	4	6⅛	101	Morgan Stanley Int.	6.066
Helaba Int.Finance†	200	1996	4	6⅜	101.425	Nomura Int.	5.964
Finnish Export Credit†	200	1995	3	5¾	100.805	Lehman Bros.	5.452
Kommunekredit†	150	1999	7	7¼	101.425	Nomura Int.	6.986
Eurofima(o)†	153.5	1993	1	4.55	100.15	Lehman Bros.	4.394
Mitsubishi Finance Int.(p)†	80	2002	10	7½	102	Mitsubishi Finance Int.	7.212
Hydro Quebec(q)†	1bn	2022	30	8.4	99.288	First Boston Corp	8.468
ECUs							
Credit Local de France†	500	1997	5	8½	101.15	Paribas Capital Mkts.	8.210
General Elec.Cap.Corp†	250	1997	5	8⅜	101½	SBC	7.999
STERLING							
Britannia Bldg.Soc.(g)§†	60	(g)	(g)	13	100.423	Hoare Govett Corp.Fin.	-
Pearson Sterling Fin.†	100	2002	10	10¾	101.15	Baring Bros.	10.558
CANADIAN DOLLARS							
Ontario Hydro(f)†	1.5bn	2002	10	8⅝	99.35	(f)	8.914
Deutsche Bk Fin.†	250	1997	5	7¼	99.005	Deutsche Bk Cap.Mkts.	7.496
Compagnie Bancaire†	150	1997	5	8¼	101.45	Nomura Int.	7.888
Mobil New Zealand Fin.†	75	1997	5	8¼	101.425	Lehman Bros.Int.	7.894
AUSTRALIAN DOLLARS							
Australian Nat.R'ways.†	50	1999	7	9½	100	Westpac Banking Corp	9.500
Sth.Aust.Govt.Fin.Auth.†	100	2000	8	10¼	101¼	Hambros Bank	10.016
FRENCH FRANCS							
Credit National†	2bn	1999	7	8¾	100.915	CCF	8.571
Soc.Generale Accep.(h)§†	(h)	1993	1½	zero	100	Societe Generale	-
D-MARKS							
Snow Brand Milk Prods.(a)#†	200	1996	4	5⅛	100	Commerzbank	5.125
Showa Aluminium Corp(b)#†	130	1996	4	5⅛	100	Nomura Bk GmbH	5.125
Kingdom of Norway†	1bn	1997	5	8¼	102¼	Deutsche Bank	7.691
FIH Fin.for Danish Ind.†	200	1999	5	8⅜	101⅞	WestLB	8.015
Fukuya Co.★★†	40	1997	5	9⅛	101¾	Mitsubishi Bk GmbH	8.647
LKB Finance NV†	750	2002	10	zero	47.35	Trinkaus & Burkhardt	7.763
(continued)							
BP America Inc.†	200	2002	10	8⅛	102.35	CSFB Effectenbank	7.778
Union Ind.d'Credit†	150	1999	7	8⅛	101¼	NordLB	7.915
SWISS FRANCS							
Sho-Bond Corp(c)★★#†	80	1996	-	4½	100	Yamaichi Bk (Switz)	4.500
Commerzbank(i)†	150	2002	-	7	102¼	Swiss Volksbank	6.684
Nihon Kohden(j)★★#	40	1996	-	4⅜	100	Yamaichi Bk (Switz)	4.375
SWEDISH KRONOR							
European Investment Bk†	1bn	1999	7	10	101½	Skand'viska Ensk.Bken.	9.695
PESETAS							
Bancomext(n)†	10bn	1997	5	13	100	Bco San'der d'Negocios	13.000
LIRE							
European Investment Bk†	500bn	2002	10	10½	101⅞	Monte d'Paschi d'Siena	10.192
YEN							
Honda Motor Co.†	30bn	1999	7	6	101½	Nikko Europe	5.734
Honda Motor Co.†	30bn	1997	5	5.9	101½	Nomura Int	5.548
EIB†	50bn	1995	3	5	99.95	Nikko Europe	5.018
Asian Development Bank†	50bn	2002	10	5⅝	99.95	Bk of Tokyo Cap.Mkts.	5.632
Dainippon Ink & Chemicals†	15bn	1999	7¼	6¼	101⅝	Nikko Europe	5.962
AUSTRIAN SCHILLINGS							
Republic of Austria(r)‡†	2bn	(r)	(r)	(r)	100	Deutsche Bank (Austria)	-
LUXEMBOURG FRANCS							
Eurofima(l)†	1.5bn	2002	10	8½	101⅝	BGL	8.255
Postipankki(m)†	1bn	2000	8	9	102¼	Credit Europeen	8.600
Credissuez(m)†	1bn	2001	9	8⅞	101¼	Banque Indosuez	8.588
Socrih★★†	600	2000	8	8⅞	102	BCEE	8.520
Credit A L.Industriel	2bn	2002	10	8¾	101.60	Cregem Int.	8.508
Bque.CGER France★★†	500	1995	3	9	101.60	Banque UCL	8.286
Kemira Int.Fin.★★†	500	1995	3	9¼	101.90	BCEE	8.306
Credit Lyonnais(m)†	1.5bn	2002	10	8⅞	102¼	Credit Lyonnais (Lux.)	8.632
Banque UCL★★†	600	1994	2½	9¼	101⅞	Banque UCL	8.422

★★Private placement. §Convertible. #With equity warrants. ‡Floating rate notes. ♦Variable rate note. †Final terms. a) Exercise premium fixed at 2.5%. Non-callable. b) Exercise premium fixed at 2.53%. Non-callable. c) Exercise premium fixed at 2.54%. Callable 23/1/94 at 101%, declining ½% semi-annually. d) Callable at par from 21/1/97. e) Investor's option to increase issue by 20% no later than 20/1/92. f) Global issue. Joint book runners – Goldman Sachs, IBJ, Merrill Lynch, RBC Dominion and ScotiaMcLeod. Coupon payable semi-annually. Non-callable. g) Undated subordinated notes, mandatorily convertible into Permanent Interest Bearing Shares (PIBS). h) Amount – minimum FFr300m. Redemption at 105½% is linked to FFr/$ rate, and put option from 15/2/93 - 23/7/93. i) Subordinated issue, swapped into floating rate D-Marks. Non-callable. j) Callable 30/1/94 at 101% declining ½% semi-annually. k) Callable from 1/4/92 at 104% declining 1% annually. l) Callable after 5 years at 100½% and 9 years at 100¼%. m) Subordinated issue. Non-callable. n) Matador issue. Non-callable. o) Issued under a $800m Medium Term Note programme. Non-callable. p) Callable on or after 27/1/97 at 100%. q) Yankee issue. Non-callable. r) Maturity – February 1995 extendible to 2001. Coupon pays 12.5bp below 3-month Vibor. Callable at par from February 1995. Deutsche Bank Capital Markets acting as international co-ordinators. Note: Yields are calculated on ISMA basis.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jan 17	Jan 16	Jan 15	Jan 14	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	3264.98	3249.35	3258.50	3246.20	3264.98 (15/1/92)	2470.30 (9/1/91)	3264.98 (15/1/92)	41.22 (2/7/32)
Home Bonds	99.61	99.37	99.41	99.27	99.61 (17/1/92)	91.30 (16/1/91)	99.61 (17/1/92)	54.99 (1/10/81)
Transport	1421.98	1445.81	1431.43	1387.35	1445.81 (16/1/92)	894.30 (7/1/91)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.82	211.94	214.87	215.32	225.59 (3/1/92)	195.17 (10/7/91)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 3297.63 (3289.13) Low 3224.28 (3200.88)

STANDARD AND POOR'S	Jan 17	Jan 16	Jan 15	Jan 14	1991/92 HIGH	1991/92 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	418.86	418.21	420.77	420.44	420.77 (15/1/92)	311.49 (9/1/91)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	498.15	496.78	499.27	498.70	499.27 (15/1/92)	364.90 (9/1/91)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.68	34.89	35.14	34.85	35.14 (15/1/92)	21.96 (9/1/91)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	230.96	230.55	231.85	231.57	231.85 (15/1/92)	170.97 (9/1/91)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	415.32	413.77	414.30	412.63	415.32 (17/1/92)	296.72 (14/1/91)	415.32 (17/1/92)	29.31 (9/12/72)
NASDAQ Composite	626.85	627.34	630.82	625.75	630.82 (15/1/92)	355.75 (14/1/91)	630.82 (15/1/92)	54.87 (31/10/72)

	Jan 10	Jan 3	Dec 27	year ago (approx.)
Dow Industrial Div. Yield	2.89	2.90	2.99	4.13
	Jan 15	Jan 8	Dec 31	year ago (approx.)
S & P Industrial div. yield	2.52	2.54	2.55	3.31
S & P Indl. P/E ratio	25.76	25.51	25.35	15.92

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Glaxo	6,922,400	30⅞	—
Intl Paper	4,752,600	73	+ ¼
Citicorp	4,688,700	14⅛	- ⅛
Am T & T	3,849,900	40¾	+ ⅜
IBM	3,580,800	96⅛	+ 1
Gen Motors	3,251,600	33⅜	- ¼
Gen Electric	3,107,000	79⅝	+ 1⅛
Wal-Mart	2,967,700	57⅛	- ⅜
Wax Elec	2,757,500	18⅛	- ⅜
Compaq	2,741,700	33⅜	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Jan 17	Jan 16	Jan 15
New York SE	284.360	330.891	306.315
Amex	25.870	25.531	25.237
NASDAQ	(a)	(a)	293.277*
NYSE			
Issues Traded	2,196	2,224	2,213
Rises	919	925	1,140
Falls	816	894	663
Unchanged	461	405	410
New Highs	161	210	245
New Lows	6	3	5

CANADA

TORONTO	Jan 17	Jan 16	Jan 15	Jan 14	1991/92 HIGH	1991/92 LOW
Metals & Minerals	3235.89	3238.87	3131.15	3039.41	3299.99 (18/7/91)	2632.06 (9/1/91)
Composite	3658.29	3666.0	3656.70	3635.00	3666.00 (16/1/92)	3161.95 (15/1/91)
MONTREAL Portfolio	1931.97	1937.59	1934.10	1924.41	1937.59 (16/1/92)	1606.89 (9/1/91)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. * Correction.

** Saturday January 11: Taiwan Weighted Price 4856.82; Korea Comp Ex. 61...
‡ Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and ... JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed.

TOKYO - Most Active Stocks

Friday 17 January 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toyo Ink	4.7m	557	-7	Clarion	3.5m	595	+5
Tokyo Theatres	4.1m	820	0	Osaka Gas	2.8m	580	-28
Takuma	4.1m	1,110	+30	Mitsubishi Heavy	2.8m	633	-5
Kobe Steel	3.9m	408	0	Hitachi Zosen	2.5m	629	-15
Nippon Steel	3.8m	355	+2	Japan Storage	2.5m	945	-19

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Britannia Life Unit Managers Ltd (1200)F

Brown Shipley & Co Ltd (1000)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.26	50.26xd	50.76	10.6	4[illegible]
Cntrld Prfrmnce	5½	49.09	49.40	52.69	9.28	46075
Ethical	5½	47.55	48.55	51.65	4.92	4[illegible]
European Growth	5½	47.74	47.93	51.12	3.0	46171
Income	5½	45.93	46.48	49.58	7.98	41394
Intl Growth	5½	66.05	66.36	70.57	3.18	41395
Managed	5½	58.81	59.16	63.10	4.45	41396
UK Growth	5½	50.30	50.94	54.34	5.76	41397
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc.	3	196.2	198.3xd	206.5	3.04	41499
Do Income	3	183.6	185.5xd	193.2	3.04	41321
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	36.00	36.00	38.25	2.49	41398
UK Equity Gth Acc	5½	48.62	49.57	52.67	2.19	41399
UK Eq High Inc Inc	5½	28.75	29.43	31.27	6.83	41400
UK Eq High Inc Acc	5½	32.33	33.09	35.16	6.83	[illegible]
UK Equity Gen Acc	5½	45.82	46.58	49.50	3.44	41401
UK Equity Gen Inc	5½	35.85	36.46	38.74	3.44	41402
UK Larger Cos Acc F	7½	300.2	304.3	330.2	4.76	41403
UK Larger Cos Inc F	7½	241.7	245.0	265.9	4.76	41404
Gilt & Fxd Int Inc	5½	28.12	28.19	29.82	7.61	41405
O'seas Larg Cos Acc F	7½	215.2	219.4	238.1	2.08	41406
Nth American Acc	5½	37.26	37.46	39.81	0.57	41407
Far East Acc	5½	39.88	40.89	43.45	–	41408
European Acc	5½	34.79	36.55	38.84	1.59	41409
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American	5	309.7	309.7	331.0	0.70	41410
(Accum Units)	5	364.5	364.5	389.6	0.70	41411
British	5	799.2	812.2	859.3	6.04	41416
(Accum Units)	5	1313.1	1334.4	1411.8	6.04	41417
European	5	322.2	322.2	341.8	1.47	41418
(Accum Units)	5	349.3	349.3	370.5	1.47	41419
Japan	5	108.0	108.0	115.0	–	41420
(Accum Units)	5	108.9	108.9	115.9	–	41421

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital Jan 16	495.45	499.11	2.83	40505
Gross Jan 16	170.31	171.68xd	11.36	40506
High Yield Jan 16	280.23	282.47	7.79	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	53.29	54.39	4.16	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1185.0	1279.0xd	–	40404
Mngd Pens (Acc)	64.8	69.1	–	41007
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2600.0	7.00	40777
Inc Gth Pro Jul 31	£1375.0	1460.0	8.90	40778
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Jan 15	£3790.9	3986.3xd	4.01	40766
European Jan 15	£566.2	572.5	1.98	40776
American Jan 15	£368.1	371.6	2.19	40773
Japan Jan 15	£475.1	480.6	1.35	40774
Pacific Jan 15	£139.6	143.5	1.93	40775
W Midlands Sep 30	£136.50	152.30	2.46	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Dec 31	196.75	200.75	7.88	40825
Equity Dec 31	845.45	857.30	3.99	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Jan 16	106.31		10.24	40883
(Accum Units)	621.49		10.24	40884
NAACIF Jan 14	40.27		9.75	40917
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Jan 14	123.5	132.7	2.04	40925

	Bid Price	Offer Price	Yield Gross	City-line
Guardian Royal Exchange				
Royal Exchange, EC3 071-283 7101				
Guardian Assurance				
Property Bonds	656.6	691.0	–	42437
Choices Wth-Pfts Lp-sm	133.4	140.4	–	46080
Choices Wth-Pfts Sr-sm	124.8	131.4	–	46081
Choices Managed	156.9	165.1	–	46082
Choices Equity	160.3	168.7	–	46083
Freedom Wth Pfts Lmp-Sm	108.3	114.0	–	47973
Freedom Wth Pfts Sngl-Sm	107.3	112.9	–	41771
Freedom Managed	93.3	98.3	–	47969
Freedom Equity	89.9	94.6	1.64	47964

	Bid Price	Offer Price	Yield Gross	City-line
Legal & General – Contd.				
Unit Pensions				
Kingswood Surrey KT20 6TH 0737 370370				
Ex Bldg Soc. Link	161.4	169.9	–	42745
Do. Accum	205.7	216.6	–	42746
Exempt Cash Init.	286.1	301.2	–	42747
Do. Accum	460.1	484.4	–	42748
Exempt Eqty Init.	861.7	907.1	–	42749
Do. Accum.	2385.4	1450.4	–	42750
Exempt Euro Init.	157.2	165.5	–	42751
Do. Accum.	194.3	204.6	–	42752
Exempt Far East Init.	205.1	215.9	–	42753

	Bid Price	Offer Price	Yield Gross	City-line
Manulife Group				
St George's Way, Stevenage Enquiries 0438 356101				
Managed Ser 1 & 2	520.9	456.7	–	42[illegible]
Managed Ser 3	97.4	102.5	–	[illegible]
Property Ser 1 & 2	453.7	477.6	–	[illegible]
Property Ser 3	86.5	91.0	–	[illegible]
Equity Ser 1 & 2	645.8	679.8	–	[illegible]
Equity Ser 3	99.1	104.9	–	[illegible]
Gilt Edged Ser 1 & 2	477.4	502.5	–	[illegible]
Gilt Edged Ser 3	115.8	121.9	–	[illegible]
Deposit Ser 1 & 2	290.9	306.2	–	[illegible]
Deposit Ser 3	116.9	123.1	–	[illegible]
Investment Ser 1	274.2	287.0	–	[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	Yield Gros	City-line
M & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	110.0	115.8	-	41924
Pension Managed Fd	109.3	115.0	-	41926
Life Deposit Fd	111.9	117.8	-	41923
Pension Deposit Fd	119.2	125.5	-	41925
For National Fin see Target Life				
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed	170.3	170.3	-	43142
UK Equity	178.3	187.7	-	43135
Overseas Equity	137.6	144.9	-	43136
Fixed Interest	159.0	167.4	-	43137
Property	127.3	134.1	-	43138
Index Linked	153.3	161.4	-	43139
Deposit	166.5	175.3	-	43140
With Profit	136.2	143.5	-	44126
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	358.5	377.4	-	43163
UK Equity	448.4	472.1	-	43164
Overseas Eq.	345.6	363.8	-	43165
Americas	309.4	325.7	-	43166
Far East	351.1	369.6	-	43167
Property	194.6	204.9	-	43168
Fixed Int.	278.6	293.3	-	43169
Indexed Gilt	163.4	172.1	-	43170
Deposit	190.2	200.3	-	43171
With Profit	106.6	112.2	-	44771
Pension Fund (Accum Units)				
Managed	518.7	546.1	-	43173
UK Equity	602.0	632.7	-	43175
Overseas Eq	588.3	619.2	-	43177
American	401.9	423.1	-	43179
Far East	582.4	613.1	-	43181
[illegible]				

	Bid Price	Offer Price	Yield Gros	City-line
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	220.7	232.9	-	43411
UK Fixed Int. Acc.	196.9	207.8	-	43412
Intl Equities Acc	179.3	189.2	-	43413
UK Managed Acc.	174.2	183.7	-	43414
Property Acc.	225.6	238.0	-	43415
Money Acc.	135.1	142.6	-	43416
Special Market Acc.	156.5	165.1	-	43417
Japan Equity Acc.	92.3	97.4	-	46760
North American Acc.	113.6	119.9	-	43419
Pacific Acc.	94.8	100.0	-	43420
Technology Acc.	142.2	150.0	-	43421
Nat. Resources Acc.	59.1	62.4	-	43422
European Acc.	102.2	107.9	-	43424
Residential Prop Acc.	85.0	89.7	-	43425
Swiss Equities Acc.	53.9	56.8	-	43426
Hong Kong Acc.	72.6	76.6	-	43427
UK High Inc Eq Acc.	71.0	74.9	-	49428
Int Fixed Interest Acc.	62.2	65.7	-	46406
Int. Managed Acc.	58.0	61.1	-	46407
HIP Managed Acc.	119.4	125.9	-	46751
HIP Managed II Acc.	105.2	110.9	-	41928
HIP Managed III Acc.	112.9	119.0	-	45881
Total Investment Bond				
UK Equity Initial		149.4	-	43429
UK Fixed Int. Initial		133.6	-	43430
Intl Equities Initial		120.7	-	43431
UK Managed Initial		118.1	-	43432
Property Initial		134.1	-	43433
Money Initial		92.1	-	43434
Special Market Initial		121.0	-	43435
Japan Equity Initial		71.3	-	46762
North American Initial		87.9	-	43437
Pacific Initial		79.2	-	43438
Technology Initial		109.8	-	43439
Nat. Resources Initial		45.6	-	43440
European Initial		92.3	-	43442
Residential Prop Init.		80.8	-	43443
Swiss Equities Initial		52.3	-	43444
[illegible]				

Royal Heritage Life Assurance Ltd—Contd.

[illegible]

Skandia Life Assurance Co Ltd (z)

Skandia Hse, Portland Terr, Southampton 0703 334411

Skandia Price Line 0800 181396

[illegible]

Target Life Assurance Co Ltd

The Exchange, 6a High St, Aylesbury, Bucks HP20 1SE

[illegible]

Eurolife Assurance Group

Eurolife Hse, 16 St John St., EC1M 4AY 071-454 1191

[illegible]

Finexco International Ltd

PO Box 193, St Peter Port, Guernsey 0481 713180

[illegible]

Knight Williams & Company Ltd—Contd.

[illegible]

Macartney & Dowie Invest Mngt Plc

[illegible]

Lion World Fixed Income Fund

[illegible]

Lloyds Intl Money Market Fund Ltd

Sarnia Hse, Le Truchot, St Peter Port, Guy 0481 724983

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

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	Bid Price	Offer Price	Yield Gross	City-line
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.73	17.57al	2.26	44759
Japan Tech	$53.71	56.40	0.00	44762
Japan Fund	$23.24	24.41	0.00	44763
Japan New Gwth Fd	$17.57	18.45	0.00	44764
Malay Sing	$58.35	61.27	0.00	44765
Nth American	$24.97	26.22	0.00	47418
Octopus Fund	$23.49	24.67al	0.53	44766
Pacific Fd	$62.64	65.78al	2.34	44767
International Bond	$17.53	18.41al	7.18	44769
Europa Fund	$13.75	14.44al	0.75	47191
British Screen Fd	£0.86	0.91al	2.87	47190
Tristar Warrant	$11.73	12.32	0.00	47419
Hong Kong	$54.62	57.36al	1.27	44761
Mngd Portfolio (Stlg)	£4.19	4.52	0.00	47319
Mngd Portfolio (Dlr)	$10.90	11.50	0.00	47318
Currency Fd-Sterling	£19.95		9.37	44755
Currency Fd-US Dollar	$25.56		4.72	44754
Curr Fd-Deutschemark	DM41.32		7.70	44756
Curr Fd-Managed $	$46.06	48.36	4.83	44758
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*	$1.00		3.81	40562
Investment Series*	$1.00		3.71	40563

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM 0624 661551						
ADI Managed(z)	5	$0.5956	0.5956	0.6343	1.29	44675
ADI Mgd Currency(z)	5	$0.393	0.393	0.4146	5.52	44676
ADI W'wide Eq(z)	5	$0.677	0.6772	0.7212	1.07	44677
ADI Nth Amer Gth(z)	5	$0.884	0.8843	0.9417	0.01	44678
ADI Far East (z)	5	$1.101	1.101	1.172	1.13	44679
ADI Gilt & Income(z)	5	£0.2471	0.2471	0.2605	8.75	44680
ADI UK Cap Gth (z)	5	£0.2244	0.2244	0.2389	3.39	44681
ADI Europe Fd (z)	5	£1.13	1.133	1.204	1.43	44682

For conversion Prices of Shares Phone: 0624 662060

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Asset Global Funds Ltd (1200)						
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097						
European Equity	5	£13.92	13.992	14.50	–	44689
UK Gilt	5	£10.08	10.081	10.63	–	44690
Intl Equity	5	£14.16	14.162	15.10	–	44691
International Bond	5	£5.279	5.279	5.564	–	44692
Ashburton Managed	5	£.9561	.9561	1.0039	0	47816
European Bond	5	£.9899	.9899	1.0419	–	47815
Sterling Cash Inc	5	£.9559	.9559	1.0037	–	47817
International Bond	5¼	£.8915	.8915	.9422	–	46802
ECU & DM Bond	5¼	£1.0121	1.0121	1.0693	–	46798

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB Trust Funds—Contd.						
UK Equity	5	141.88	141.88	152.96	0.90	43572
International Equity	5	120.69	120.69	128.51	0.00	43589
Far Eastern	5	92.14	92.14	98.52	0.00	43961
European	5	85.35	85.35	90.40	0.00	43958
Pan American	5	173.57	173.57	184.26	0.00	43570
TSB Gilt Fund Ltd						
Quarterly Share	3	98.33	98.33	101.61	10.14	45833
Monthly Share	3	97.86	97.86	101.11	10.19	45834

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
Barclays Intl Funds				
Currency Funds				
Sterling	£21.71		9.5	44718
US Dollar	$31.66		3.0	44719
Deutschemark	DM56.12		8.4	44720
Yen	Y4,086		4.2	44721
Managed Multicurrency	£13.38	13.86	–	44722
Managed Multicurrency	$25.41	26.31	–	44723
Bond Funds				
Sterling Bond	£0.417	0.433	10.6	44724
US Government Income	$100.18	103.74	6.7	44725
Asian Selection Funds				
Hong Kong	$13.976	14.712	3.0	44544
Indonesia	$7.685	8.090	2.5	44686
Korea	$9.649	10.157	2.5	44687
Malaysia	$10.212	10.749	0.5	44696
Philippines	$12.141	12.780	2.5	44699
Singapore	$12.378	13.029	1.0	44700
Thailand	$13.332	14.034	2.5	44717
South East Asia	$11.860	12.484	3.0	44716
US Dollar Liquidity	$9.625	10.106	3.4	44875
Cater Allen Investment Management (CI)				
CA Gilt Income	£6.65	6.98	17.27	44830
CA Gilt & Futures	£1.034	1.087	7.36	44831
CA Equity Gwth	£3.87	4.22	3.55	44832
Citibank (CI) Ltd "Citifunds"				
Liquidity Funds				
Deutschemark	DM30.436		–	44834
Yen	Y3026.448		–	44835
Sterling	£12.363		–	44836
US Dollar	$18.362		–	44838
Managed	$18.641		–	44839
Short Term Investment Funds				
Irish £ Jan 16	114.628		–	44841
Equity Funds				
Global Equity	£17.607		–	44843
Japan Equity Jan 17	$8.882		–	44845
European Equity Jan 20	$15.214		–	44847

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Dollar rally halted

The spectacular rise of the dollar on the foreign exchange markets last week came to an abrupt halt on Friday afternoon in London, as a wave selling cut 8 pfennigs from the value of the US currency, *writes Simon London.*

This was followed in New York by some well-timed intervention by the Bank of Japan and the Federal Reserve, selling dollar against the yen. The US currency fell to just above Y124 from Y127.45 at the close in London.

This sudden decline underlined that the rally of the dollar so far this year has been a fragile affair, driven by technical factors rather than a reappraisal of economic fundamentals.

After all, the only optimistic news to come out of the US in this period was better than expected non-farm payroll data, a notoriously volatile indicator. Other than this, the economic data has been as gloomy as that which put the dollar in the doldrums at the end of last year. Trade figures for November and the University of Michigan consumer confidence survey, both of which were released on Friday, underlined the gloomy tone.

The first showed a substantial 5.5 per cent fall in imports during November as consumer spending slumped. The latter reported a further dive in consumer confidence in early January, undermining hopes of a change in sentiment.

In addition, co-ordinated intervention by monetary authorities highlights the fact that a strong and rising dollar is at odds with the US governments over-riding policy goal – to get the domestic economy moving.

This leaves participants in the currency markets asking whether the events of Friday presage a period of more widespread interventionism by central banks.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

£ IN NEW YORK

Jan 17	Close	Previous Close
£ Spot	1.7955-1.7965	1.7630-1.7640
1 month	0.98-0.97pm	0.95-0.97pm
3 months	2.80-2.78pm	2.75-2.72pm
12 months	9.48-9.40pm	9.23-9.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

OTHER CURRENCIES

CHICAGO

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.725	6.57	6.94	7.17	7.56	0.88	1.89	2.73	4.66
1.750	4.68	5.18	5.50	6.48	1.56	2.74	3.76	5.87
1.775	3.08	3.72	4.13	4.86	2.54	3.90	5.02	7.20
1.800	1.98	2.61	3.04	3.81	3.90	5.38	6.54	8.81
1.825	1.18	1.82	2.23	2.94	5.62	7.07	8.14	10.52
1.850	0.65	1.20	1.57	2.28	7.55	8.92	10.01	12.36
1.875	0.31	0.75	1.08	1.72	9.67	10.96	12.02	14.32

Previous day's open int: Calls 245,867 Puts 295,356 (All currencies)
Previous day's volume: Calls 23,547 Puts 12,393 (All currencies)

POUND SPOT - FORWARD AGAINST THE POUND

Jan 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7490 - 1.7865	1.7760 - 1.7770	0.98-0.96cpm	6.55	2.78-2.75pm	6.23
Canada	2.0210 - 2.0535	2.0505 - 2.0515	0.60-0.53cpm	3.31	1.80-1.72pm	[illegible]
Netherlands	3.2065 - 3.2225	3.2125 - 3.2225	[illegible]	0.93	¾-⅝pm	0.93
Belgium	58.55 - 59.10	59.00 - 59.10	[illegible]	1.22	21-16pm	1.25
Denmark	11.0275 - 11.0865	11.0275 - 11.0375	½-¼orepm	0.54	1½-1pm	0.52
Ireland	1.0686 - 1.0795	1.0710 - 1.0720	0.10-0.06cpm	0.90	0.17-0.07pm	0.45
Germany	2.8505 - 2.8590	2.8525 - 2.8575	¾-½pfpm	1.05	[illegible]	0.96
Portugal	245.50 - 247.85	245.70 - 246.70	73-128cdis	-4.90	174-257dis	-3.42
Spain	180.40 - 181.50	180.70 - 181.00	26-31cdis	[illegible]	78-88dis	[illegible]
Italy	2147.25 - 2156.10	2150.75 - 2151.75	2-3liredis	-1.39	6-8dis	[illegible]
Norway	11.1700 - 11.2470	11.1700 - 11.1800	½-¼orepm	0.27	½-¼pm	0.11
France	9.7155 - 9.7466	9.7250 - 9.7350	⅝-⅜cpm	0.62	1⅝-1⅜pm	0.59
Sweden	10.3525 - 10.4060	10.3525 - 10.3625	1⅛-1¼oredis	[illegible]	3⅝-4⅛dis	-1.54
Japan	224.00 - 227.09	226.00 - 227.00	1⅛-⅞ypm	5.30	3-2⅝pm	5.08
Austria	20.04 - 20.13	20.04 - 20.07	1⅞-⅝gropm	0.82	4⅝-2½pm	0.71
Switzerland	2.5225 - 2.5325	2.5225 - 2.5325	⅝-½cpm	2.67	1⅝-1⅜pm	2.67
Ecu	1.3970 - 1.4030	1.3990 - 1.4000	0.06-0.01cpm	0.30	0.13-0.06pm	0.27

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.24-5.19cpm. 12 Month 9.40-9.30pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 17	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7480 - 1.7885	1.7760 - 1.7770	0.98-0.96cpm	6.55	2.78-2.75pm	6.23
Ireland†	1.6305 - 1.6620	1.6610 - 1.6620	0.93-0.88cpm	6.54	2.53-2.48pm	5.97
Canada	1.1505 - 1.1545	1.1520 - 1.1530	0.28-0.30cdis	-3.02	0.78-0.82dis	-2.78
Netherlands	1.7995 - 1.8425	1.8000 - 1.8010	0.84-0.87cdis	-5.67	2.41-2.46dis	-5.38
Belgium	33.10 - 33.65	33.20 - 33.30	14.00-16.00cdis	-5.41	41.00-46.00dis	-5.23
Denmark	6.2875 - 6.3320	6.2075 - 6.2125	2.95-3.25oredis	-5.99	8.55-9.15dis	-5.70
Germany	1.5930 - 1.6350	1.6065 - 1.6075	0.75-0.76pfdis	-5.64	2.17-2.19dis	-5.43
Portugal	139.20 - 140.80	139.20 - 139.30	145-155cdis	-12.93	360-400dis	-10.92
Spain	101.20 - 103.35	101.60 - 101.70	71-74cdis	-8.56	207-213dis	-8.26
Italy	1201.00 - 1229.75	1210.75 - 1211.25	7.70-8.20liredis	-7.88	22.50-23.50dis	-7.60
Norway	6.2875 - 6.4175	6.2875 - 6.2925	3.30-3.60oredis	-6.58	9.70-10.20dis	-6.33
France	5.4770 - 5.5700	5.4750 - 5.4800	2.73-2.76cdis	-6.01	7.88-7.93dis	-5.77
Sweden	5.8090 - 5.9520	5.8275 - 5.8325	4.08-4.33oredis	-8.66	11.80-12.10dis	-8.11
Japan	127.10 - 128.50	127.40 - 127.50	0.13-0.14ydis	-1.27	0.34-0.35dis	-1.08
Austria	11.4180 - 11.4025	11.4650 - 11.4790	5.20-5.65grodis	-5.68	15.30-16.50dis	-5.55
Switzerland	1.4120 - 1.4475	1.4220 - 1.4230	0.44-0.47cdis	-3.84	1.25-1.29dis	-3.57
Ecu	1.2480 - 1.2745	1.2580 - 1.2590	0.67-0.64cpm	6.20	1.90-1.86pm	5.94

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY MOVEMENTS

Jan 17	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.4	-21.4
U.S Dollar	62.7	-15.7
Canadian Dollar	103.5	+1.4
Austrian Schilling	109.8	+12.2
Belgian Franc	111.6	-1.7
Danish Krone	109.1	+2.4
D-Mark	119.2	+25.3
Swiss Franc	109.6	+17.2
Dutch Guilder	114.7	+16.5
French Franc	103.3	-12.8
Lira	99.0	[illegible]

CURRENCY RATES

EXCHANGE CROSS RATES

Jan.17	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.777	2.855	226.5	9.730	2.528	3.218	2151.	2.051	59.05	1.400
$	0.563	1	1.607	127.5	5.476	1.423	1.811	1210	1.154	33.23	0.788
DM	0.350	0.622	1	79.33	3.408	0.885	1.127	753.4	0.718	20.68	0.490
YEN	4.415	7.845	12.60	1000.	42.96	11.16	14.21	9497	9.055	260.7	6.181
F Fr.	1.028	1.826	2.934	232.8	10.	2.598	3.307	2211	2.108	60.69	1.439
S Fr.	0.396	0.703	1.129	89.60	3.849	1	1.273	850.9	0.811	23.36	0.554
N Fl.	0.311	0.552	0.887	70.39	3.024	0.786	1	668.4	0.637	18.35	0.435
Lira	0.465	0.826	1.327	105.3	4.523	1.175	1.496	1000.	0.954	27.45	0.651
C $	0.488	0.866	1.392	110.4	4.744	1.233	1.569	1049	1	28.79	0.683
B Fr.	1.693	3.009	4.835	383.6	16.48	4.281	5.450	3643	3.473	100.	2.371
Ecu	0.714	1.269	2.039	161.8	6.950	1.806	2.299	1536	1.465	42.18	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

Treasury Bills (sell); one-month 10⅜ per cent; three months 9⅞ per cent; six months [illegible] per cent; Bank Bills (sell); one-month 10¼ per cent; three months 10⅛ per cent; Treasury Bills; Average tender rate of discount 9.9428 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 31, 1991. Agreed rates for period Jan.25, 1991 to February 25, 1992, Scheme I: 11.80 p.c., Schemes II & III: 12.06 p.c. Reference rate for period Nov 30,1991 to December 31, 1991, Scheme IV&V: 10.812 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from January 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept. 5,1991, Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	US Dollar Index	% chg ($) since 31/12/91	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/91	Gross Div. Yield	US Dollar Index (Thu)	Pound Sterling Index (Thu)	Yen Index (Thu)	DM Index (Thu)	Local Currency Index (Thu)	1991/92 High	1991/92 Low	Year ago (approx)
	FRIDAY JANUARY 17 1992								THURSDAY JANUARY 16 1992					DOLLAR INDEX		
Australia (69)	148.63	-1.5	124.04	118.74	124.18	133.26	+0.9	4.16	149.07	125.54	120.90	125.44	133.31	160.31	112.74	118.14
Austria (20)	164.69	-1.1	137.44	132.68	137.59	139.45	+6.3	2.07	165.76	139.59	134.44	139.46	139.32	222.37	153.86	183.96
Belgium (47)	141.92	-1.7	118.44	114.33	118.57	116.37	+4.6	5.08	140.91	118.67	114.27	118.57	115.72	151.20	118.04	131.08
Canada (116)	142.12	+4.3	118.60	114.49	118.73	118.60	+3.9	3.11	141.06	118.29	114.88	119.19	118.42	144.28	126.49	127.55
Denmark (37)	264.40	-1.0	220.88	213.02	220.90	223.32	+4.0	1.60	260.42	219.31	211.20	219.13	222.70	273.94	217.74	236.72
Finland (18)	86.81	+11.0	72.28	69.78	72.36	80.44	+18.6	3.03	87.71	73.87	71.14	73.61	81.08	125.16	73.32	95.32
France (109)	149.69	-0.5	124.92	120.59	125.05	128.62	+5.2	3.45	148.49	125.06	120.42	124.84	128.52	152.33	119.11	133.09
Germany (65)	117.76	+0.4	98.28	94.88	98.38	98.38	+6.3	2.34	116.37	98.00	94.38	97.91	97.91	125.35	94.15	110.76
Hong Kong (55)	183.93	+4.3	153.50	148.18	153.67	183.32	+4.1	4.06	181.92	153.20	147.53	153.08	181.36	183.93	119.62	123.42
Ireland (18)	172.29	+2.7	143.78	138.80	143.94	146.11	+8.0	3.43	167.17	140.78	135.57	140.66	143.49	182.46	132.88	143.58
Italy (77)	78.31	+3.9	65.36	63.09	65.43	70.83	+9.5	3.25	78.00	65.69	63.26	65.63	71.07	88.23	64.76	77.75
Japan (474)	123.95	-8.7	103.45	99.86	103.57	99.86	-6.9	0.85	124.57	104.91	101.03	104.84	101.03	146.97	118.23	129.34
Malaysia (68)	220.64	+3.0	184.14	177.75	184.34	229.95	+2.4	2.85	221.77	186.76	179.85	186.60	231.33	247.78	189.18	200.98
Mexico (18)	1506.53	+8.3	1257.28	1213.71	1258.67	5046.34	+9.1	1.03	1505.45	1267.80	1220.93	1266.77	5041.64	1506.53	534.45	567.34
Netherland (31)	152.35	-0.2	127.14	122.74	127.29	125.89	+5.7	4.29	150.59	126.82	122.13	126.72	125.30	155.45	125.70	132.44
New Zealand (14)	46.72	-0.8	38.99	37.64	39.03	45.92	-0.5	5.98	47.22	39.77	38.30	39.74	46.40	54.54	41.18	44.28
Norway (25)	192.95	+7.9	161.03	155.45	161.21	164.73	+13.8	1.58	185.61	156.31	150.53	156.18	160.60	223.24	157.06	189.54
Singapore (38)	224.35	+2.1	187.23	180.74	187.44	170.69	+4.1	2.04	225.21	189.66	182.65	189.60	170.51	225.21	151.63	160.73
South Africa (61)	260.62	+4.7	217.50	209.96	217.74	186.49	+7.8	2.66	258.32	217.54	209.49	217.35	185.19	271.99	173.00	173.92
Spain (52)	154.15	-1.4	128.65	124.20	128.79	118.71	+3.6	4.66	153.87	129.58	124.79	129.47	119.65	171.12	131.51	142.63
Sweden (25)	185.22	+2.3	154.58	149.23	154.75	159.86	+7.6	2.79	167.88	153.17	147.51	153.05	158.93	204.12	146.60	164.22
Switzerland (59)	100.69	+0.3	84.03	81.12	84.13	89.80	+5.3	2.26	100.26	84.43	81.32	84.37	89.32	103.50	82.17	87.99
United Kingdom (234)	179.86	-3.0	160.10	144.89	150.25	160.10	+2.2	4.96	178.14	150.02	144.46	149.89	150.02	187.44	156.27	162.72
USA (523)	170.76	+0.5	142.51	137.56	142.66	170.76	+0.5	2.85	170.54	143.62	138.31	143.51	170.54	171.06	125.96	134.26
Europe (814)	146.06	-1.1	121.90	117.67	122.04	122.57	+4.3	3.93	144.74	121.89	117.09	121.80	122.48	151.52	125.50	133.25
Nordic (102)	186.60	+1.5	155.73	150.34	155.90	153.77	+6.6	2.10	183.20	154.28	148.58	154.16	152.78	200.81	165.55	168.77
Pacific Basin (718)	126.54	-7.7	105.60	101.95	105.72	103.29	-6.0	1.18	127.09	107.02	103.07	106.94	104.34	145.92	117.86	128.38
Euro - Pacific (1532)	134.63	-5.0	112.38	108.46	112.48	111.70	-1.7	2.37	134.44	113.21	109.02	113.12	112.30	147.68	121.29	130.70
North America (639)	168.88	+0.7	140.96	136.11	141.16	167.22	+0.7	2.86	168.68	142.06	136.82	141.96	166.99	169.69	125.91	132.76
Europe Ex. UK (580)	125.49	+0.3	104.73	101.12	104.87	108.57	+5.9	3.10	124.40	104.78	100.91	104.70	108.48	129.60	105.68	116.14
Pacific Ex. Japan (244)	152.07	+1.4	126.91	122.53	127.07	137.82	+2.4	3.88	151.90	127.92	123.21	127.83	137.48	153.19	111.40	116.30
World Ex. US (1726)	137.12	-4.4	114.43	110.48	114.56	113.94	-1.3	2.39	136.89	115.28	111.03	115.19	114.49	148.16	122.32	131.27
World Ex. UK (2015)	144.34	-2.5	120.46	116.29	120.61	129.56	-0.9	2.30	144.25	121.48	117.00	121.30	129.01	150.58	120.06	128.19
World Ex. So. Af. (2188)	146.69	-2.6	122.42	118.19	122.56	131.01	-0.7	2.57	146.47	123.35	118.80	123.26	131.34	153.05	122.92	131.00
World Ex. Japan (1775)	161.23	+0.2	134.55	129.90	134.72	149.53	+2.2	3.26	160.55	135.21	130.22	135.12	149.34	161.90	128.69	133.55
The World Index (2249)	147.44	-2.5	123.05	118.79	123.19	131.51	-0.6	2.57	147.21	123.97	119.39	123.88	131.83	153.70	123.28	131.26

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL. 041 248 7070

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 10	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.74	87.60	87.48	87.07	87.07	87.42	87.94	82.17	127.4	49.18
Fixed Interest	99.90	99.77	99.56	99.36	99.44	99.57	99.90	90.59	105.4	50.53
Ordinary	1965.6	1958.3	1940.6	1910.4	1894.5	1874.2	2108.3	1606.3	2108.3	49.4
Gold Mines	159.2	160.0	158.9	152.3	156.3	160.6	222.8	127.0	734.7	43.5
FT Act All-Share	1213.06	1211.56	1208.07	1197.26	1186.22	1182.19	1284.07	987.46	1284.07	61.92
FT-SE 100	2536.7	2541.6	2537.1	2516.3	2490.1	2477.9	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1135.24	1131.02	1140.52	1112.87	1105.02	1105.40	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1171.15	1164.75	1174.57	1149.84	1138.94	1140.60	1198.60	938.62	1198.60	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

LONDON SHARE SERVICE

AMERICANS

	Notes	Price	Wk% £ change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		35⅝xd	−1.7	$1.00	FeMyAuNv	10.1	1503
♥Allegheny & W.		28½p	11.5	38c	—	—	—
Acodab		1806pxd	14.2	16c	NvMrJeAu	31.1	—
Amer Cyanamid		38⅞	0.3	$1.80	MrJeSeDe	27.2	—
Amer Express		12⅝xd	4.1	$1.00	FeMyAuNv	30.12	1594
Amer T & T		22⅞xd	2.2	$1.32	FeMyAuNv	27.9	1597
Ameritech		35⅛	0.5	$3.48	FeMyAuNv	28.3	—
BankAmerica		23⅞xd	10.4	$1.20	FeMySeDe	18.11	1744
Bankers NY		37⅛xd	4.9	$1.82	ApJyOcJa	27.12	1745
Bell Atlantic		25⅞xd	−5	$2.52	FeMyAuNv	4.7	—
BellSouth		28¼	−.4	$2.76	FeMyAuNv	5.4	—
♥Bethlehem Steel		9⅝xd	31.5	40c	MrJeSeDe	6.2	1821
Bowater		1453p	17.4	$1.20	OcJaApJy	8.8	1884
CPC		48⅝xd	1.8	$2.20	JaApJyOc	27.12	2303
California Engy		746p	−3.7	—	—	—	—
Campbell Soup	b	21⅞	−1.1	70c	OcJaApJy	24.12	2050
Chase Manhattan		12¾	15.6	$1.20	FeMyAuNv	30.10	2109
Chrysler		8¾xd	15.8	60c	ApJyOcDe	11.12	2135
Citicorp		8½xd	45.2	—	—	23.10	2141
Colgate-Palm		27xd	−2.3	$1.06	FeMyAuNv	22.10	2184
Cont'l Bank		716p	20.9	80c	DeMrJeSe	31.5	—
Dana		19⅝xd	16.3	$1.60	MrJeSeDe	25.11	2306
Data General		1004p	7.3	—	—	—	—
Dial		25⅝xd	—	$1.40	JaApJyOc	28.5	2778
Dun & Brad		31⅛	5.6	$2.10	MrJeSeDe	13.2	—
Eaton		39⅛	9.1	$2.20	—	2.2	2410
Echlin		8⅜xd	14.8	70c	JaApJyOc	30.12	3048
FPL		19½xd	1.0	$2.40	MrJeSeDe	30.11	—
Fluor		27xd	9.6	40c	JaApJyOc	18.12	2509
Ford Motor		18½xd	12.3	$1.60	MrJeSeDe	23.10	2615
Gen Elect		44⅜xd	8.7	$2.28	JaApJyOc	4.12	2675
♥General Host		451p	3.9	34c	—	18.12	—
Gillette		28⅛xd	−4.9	82c	MrJeSeDe	24.5	2695
Hasbro		23¼	3.3	24c	JaApJyOc	1.8	—
Honeywell		40⅛xd	3.9	$1.65	MyJeSeDe	25.11	2919
Houston Inds		23¾	1.1	$2.96	MrJeSeDe	18.11	—
IBM		54⅜xd	6.2	$4.84	MrJeSeDe	6.5	2988
Ingersoll-Rand		39⅛xd	10.2	$1.32	MrJeSeDe	18.11	2979
Lockheed		24¾xd	5.3	$2.00	MrJeSeDe	15.2	—
Lowe's		2229p	19.4	66c	JaApJyOc	11.7	—
Merrill Lynch		37½xd	7.8	$1.00	FeMyAuNv	30.4	3351
Morgan (JP)		35⅞xd	−8.4	$2.16	JaApJyOc	18.12	3418
Morris (Philip)		49¾xd	−1.5	$2.10	JaApJyOc	11.12	5161
NYNEX		49⅛	−0.3	$4.56	FeMyAuNv	27.8	4740
♥Pac Agric		28½p	—	—	—	—	—
Pall	h	17⅛	6.7	33c	FeMyAuNv	24.1	—
Pennzoil		30⅞xd	5.5	$3.00	MrJeSeDe	25.11	3630
Quaker Oats		39¾	1.6	$1.72	JyOcJaAp	17.12	3738
Rockwell		15⅝xd	4.4	92c	MrJeSeDe	13.11	3847
Rep NY		25¾	−1.2	$1.06	JaApJySe	10.12	3814
Sears, Roebuck		23⅛xd	11.8	$2.00	JaApJyOc	25.11	5191
Southwestern Bell		34⅜xd	−2.5	$2.84	—	4.7	—
Sun Co		18⅞xd	1.3	$1.80	MrJeSeDe	6.11	4135
Tenneco		21⅛xd	15.4	$1.60	MrJeSeDe	6.11	—
Texaco		35¼xd	11.5	$3.20	MrJeSeDe	6.11	4200
Texas Instr		28½xd	13.9	72c	JaApJyOc	24.12	5033
Time Warner		53⅞xd	3.1	$1.00	MrJeSeDe	3.12	4234
TRW/NOVA		12⅛xd	11.8	88c	Jan Dec	11.11	4309
♥Unilab		500p	—	—	—	—	—
Utd Tech		31⅛xd	8.4	$1.80	MrJeSeDe	18.11	4381
♥UtilTech		60p	—	—	—	—	—
US West		21⅛	−1.0	$2.08	FeMyAuNv	14.4	—
Varity		867p	20.9	—	—	11.77	—
Waste Manage		25⅞xd	7.0	44c	ApJyOcJa	18.12	4439
Whirlpool		2403p	16.5	$1.10	MrJeSeDe	27.2	—
♥Woolworth		17⅛	−7	$1.00	MrJeSeDe	28.1	4840

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MISCELLANEOUS - Cont.

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress.
- Forecast dividend; cover based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending.
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Subject to local tax.
z Dividend including a special payment: Cover does not apply to special payment.
E Minimum tender price.
F Dividend based on prospectus or other official estimates for 1990-91.
G Assumed dividend after pending scrip and/or rights issue.
H Dividend based on prospectus or other official estimates for 1991.
K Dividend based on prospectus or other official estimates for 1992-93.
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1991-92.
N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service.

Additions: Fidelity European Values Units and Warrants (Section Inv. Trusts), Harrington Kilbride (Media), Frost Group (Miscellaneous) and Lookers 8pc Cv Prf (Motors)

Deletions: Manufacturs Hanover (Americans), Harrison Inds (Building Materials), Fairbriar Homes (Contracting & Construction), Sintrom (Electronics), Clydesdale Inv Trust (Inv. Trusts), Telfos (Metals & Metal Forming), Grovewood Securities (Other Industrial Materials), GCF Group and Ritz Design (Textiles), Interlink Express (Transport) and Lendu (Plantations)

4:00 pm prices January 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	12¼	AAR Corp	0.48	3.6	15	1387	13¾	13½	13½	
26	23	A L Labs A	0.16	0.7	25	318	23⅛	d22⅞	22⅞	-¼
67	58⅛	AMP Inc	1.44	2.1	27	5119	u68¾	66⅞	68¾	+7¼
75½	69⅞	AMR			20	6773	74⅜	72	72½	-2
1⅝	1⅜	ARX			2	77	u1⅝	1⅜	1⅝	+⅛
51⅝	46¼	ASA	3.00	5.9	14	1545	u51⅝	51⅛	51⅛	-⅛
68⅞	62	Abbott Lab x	1.00	1.6	24	7361	63½	d61	62⅝	+¾
12⅞	12¼	Abitibi Pr x	0.50	3.8	17	59	u13⅛	12¾	13⅛	+⅞
11⅞	11⅛	ACM Gvt In x	1.28	11.0		328	11½	11⅜	11½	+⅛
10⅛	9½	ACM GvOpp	1.01	10.1		83	10	9⅞	10	
9⅞	9	ACM Gvt Sp	0.17	1.8		298	u9⅞	9¼	9¼	
11⅛	10⅝	ACM Gvt Se	1.26	11.4		601	11	10⅞	11	
9⅛	8⅞	ACM Man x	0.47	5.2		119	u9⅛	9	9	
12⅞	12⅝	ACM Managd	1.35	10.7		216	12¾	d12⅝	12⅝	
8¾	7	Acme Cleve	0.40	4.6	19	137	8⅞	8⅛	8⅞	
5⅛	4⅝	Acme Elect			3	3	u5⅛	5	5	
33¼	30⅞	Acuson			20	1388	32½	31¼	32	-⅛
19⅝	18¼	Adams Expr x	0.48	2.5	0	126	19¼	19	19	-⅛
15¼	13	Adobe12Pf	2.40	16.6		44	14½	14⅛	14½	+⅛
5⅛	4½	Adobe Res			49	254	5⅛	4¾	5	
46½	42¼	Ad Micro				782	45¼	43¼	44⅞	+⅞
20¼	17⅞	Ad Micro P	3.00	16.1	18	1739	19	d17⅞	18⅝	+⅞
7	5	Advest Grp	0.16	2.5	9	89	6⅝	6½	6½	-⅛
45⅞	42⅞	Aetna Li x	2.76	6.2	81	169	44⅝	44⅛	44⅝	+¼
10⅛	8¾	Ahlfr A x	0.24	2.4	90	630	u10⅛	9⅞	10	-⅛
32⅞	29⅝	Aflac				1354	30	d29⅝	29⅞	+¼
17⅝	15⅝	Ahmanson	0.88	5.2	10	3090	17	16½	16⅞	+¼

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8¼	6⅞	T I S Mage	1.34	17.3	6	358	8	7⅝	7⅝	-⅛
18	15⅝	TJX Cos x	0.46	2.6	17	1005	u18⅛	17⅝	17⅞	-⅝
20¼	19	TNP Enterp	1.63	8.1	9	480	u21⅛	20⅛	20⅛	-⅝
46	41	TRW Inc x	1.80	3.9	21	859	u46⅞	45	46⅛	+⅛
9⅝	9⅛	USLIFE Inc x	0.92	9.7	0	42	9½	9⅜	9½	+⅛
24⅞	21½	USX Mrthn	1.40	5.9		1906	23⅞	23⅜	23⅞	+⅛
29⅝	25⅛	USX US St	1.00	3.5		1668	29	28½	28⅞	-½
27¾	26¾	Utilcp1.775	1.78	6.6		32	26¾	d26¾	26¾	-⅝
31½	28½	Utilcp2.44	2.44	8.0		9	30⅞	30	30⅝	+⅛
28⅝	27⅛	Utilicorp	1.60	5.9	12	547	27⅞	d26¾	27⅛	
42¾	39¼	VF Corp	1.08	2.6	24	983	42¾	41½	42	+⅛
71⅛	59½	Xerox	3.00	4.2	12	2074	70⅝	70	70⅝	+⅝
53	50½	Xerox4.125				5	52½	52½	52½	+½
25⅝	24⅞	Xtra 1.94				89	25⅜	25⅛	25⅜	+⅛
31	28½	Xtra Corp	0.72	2.3	15	121	30¾	30½	30⅝	-⅛
27	25¼	Yankee Egy	1.60	6.3	13	49	26	25½	25½	-¼
⅞	½	Zapata			87	808	u⅞	¾	⅞	
8½	7¾	ZenithElec			2	321	8¼	7⅞	8¼	+⅛
16⅝	16	Zenith Nat x	1.00	6.2	185	113	16⅛	16⅛	16⅛	
6⅝	6	Zenix Inc x	0.84	12.9		87	6½	6⅜	6½	
12	11⅛	Zero Corp	0.40	3.4	15	686	11⅞	11⅝	11⅞	+⅛
38	35⅝	Zurn Ind	0.88	2.4	15	916	37	36⅝	36¾	-⅞
14¼	13½	Zweig Fund x	1.16	8.4		230	13⅞	13¾	13⅜	
11	10⅝	Zweig Tot x	0.96	8.8		477	10⅞	10¾	10⅞	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1 1992, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices January 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Fab Inds	0.50	15	85	u35½	34⅞	34⅞	-⅛
Fina Inc A	3.20	27	22	69⅞	69⅜	69⅜	+1
Fluke (J)	0.48	46	232	u27⅞	27⅛	27⅜	+¼
Forest La		39	1268	37⅛	d35⅞	36⅛	-⅝
Frequency		7	5	u4⅝	4⅝	4⅝	+⅛
Fr ofLoan		22	1873	28⅞	27⅛	27⅞	-⅞
FstAust	1.08		133	u9⅞	9	9⅞	+
Gimt Fd A x	0.66	12	1279	24⅞	23⅞	24⅛	-⅛
Gladtr x	1.20	16	355	u69	68¼	68⅛	+1⅝
Goldfield		7	770	u⅝	d¼	⅜	+
Greenman		27	100	u4⅛	4	4⅛	+½
GR Corp		3	25				
Gulf Can	0.40	183	838	u5⅝	5⅜	5½	+⅛
Nabors		15	1857	6⅞	6⅝	6⅞	+¼
Nat Pnnt		2	249	4⅞	4¾	4⅞	
New Line		20	295	15⅝	15½	15⅝	-⅛
NY TimesA	0.56	81	1292	u26⅛	25½	26	
Odetics A		53	81	7	6⅝	7	+⅛
Olsten	0.24	36	121	26¼	25⅞	25½	-⅞
OMI Corp	0.14	9	79	8⅝	8¼	8⅜	+⅛
Pall Corp x	0.36	34	2152	u32⅛	31¼	31⅞	-⅛
Pegasus G	0.10	8	1329	u13⅞	13¼	13¼	-⅛
Parini		8	29	13¼	13⅛	13¼	+⅛
Pet HM&F	0.31	7	4	u11	11	11	+⅛
Phil LD	0.18	18	901	u38¾	38¼	38⅝	+⅛
Pitway A	1.10	11	65	26¾	26	26	-⅛

NASDAQ NATIONAL MARKET

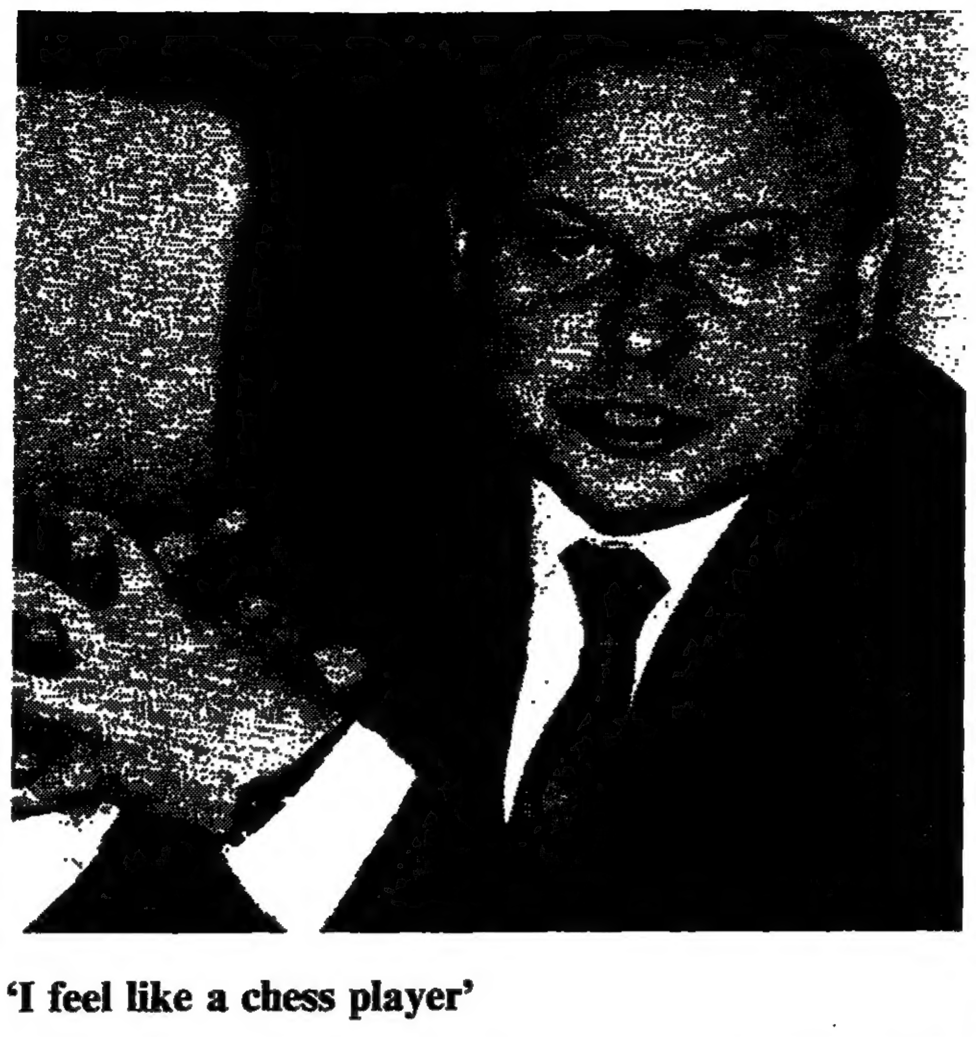
4:00 pm prices January 17

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wolohan L	0.28	13	26	u19	18⅝	19	
Wolv Expl		0	365	½	⅜	½	+⅛
WPP Group	1.11	1	2258	1⅝	d1½	1⅝	
Wyman-Gor	0.40	11	2897	u4¼	d3¾	4¼	+⅛
Xilinx		33	4771	30½	29¼	30¼	
Xoma Corp		11	3634	21	20¼	20½	
Yellow Fr	0.94	21	2532	u30	29	29⅝	+⅛
York Rsch		64	5007	u8	7½	7¾	+⅛
ZionsUtah	1.44	9	12	u44½	43⅝	43⅝	-⅛

MONDAY PROFILE

Courage of a Russian reformer

Leyla Boulton on Yegor Gaidar, the man with the gargantuan task of reshaping the economy



'I feel like a chess player'

"There are a lot of risk factors, but they don't guarantee us a fatal blow." This is how Mr Yegor Gaidar, the first Russian leader to conduct market reform rather than talk about it, calmly sums up his terrifying job.

Indeed, the first quality which strikes you about this short, balding, 35-year-old economist, who is deputy prime minister in charge of economic reform, is his steely courage. A superpower bristling with nuclear weapons has collapsed, production is in free-fall, hyperinflation looms, the army is large and hungry, and he has very little time to switch the country to a market system after 74 years of Communist rule.

"I feel like a chess player who is not only playing a very difficult match, but who is also surrounded by other players who may at any time sweep my pieces off the board," this former journalist told the Foreign Correspondents' Association in Moscow over dinner last week.

There are ambitious politicians waiting in the wings to exploit the unpopularity of his reforms for personal gain. Some of the country's best economists – including Mr Nikolai Petrakov and Mr Grigory Yavlinsky, who themselves were unable to achieve any results while advising Mr Gorbachev – have sourly rallied against him.

And with the west still nostalgic about Mr Gorbachev and the union, western states may be tragically late in throwing their full weight behind President Boris Yeltsin's courageous and able government.

A former economics commentator for Pravda, the Communist party daily, Mr Gaidar is one of a group of talented young economists who were taught by Professor Stanislav Shatalin, the veteran economist and author in 1990 of the 500-day plan for radical reform.

A scion of the Soviet establishment – his grandfather was a popular author of children's books and his father a rear-admiral – Mr Gaidar used his privileged position to spend much of his career studying ways of abandoning the system, before his rapid rise to the top.

Although some of the criticism by fellow economists is sour grapes, Mr Gaidar himself is aware that his reforms are far from perfect. But he says simply that there is no alternative, and he is no doubt right.

"After a lengthy period of populist policies which led this economy towards full collapse, we are having to take responsibility for changing course and adopting harsh measures," he says with a suave smile. "We never expected such measures to be either painless or politically profitable."

The state can no longer afford to keep up with food subsidies because producer prices are out of control. It cannot print any more money without totally destroying the currency. The financial crisis is too pressing to wait for structural reforms, which should have been started a few years ago by predecessors who preferred to talk about market reforms rather than act on them.

Endowed with a sort of Levantine charm – his oriental sounding surname is a *nom de guerre* picked up by an ancestor – Mr Gaidar has had to acquire basic survival skills quickly. For somebody who has never been in politics before, he has learned fast.

After a first gaffe – when he declared that the present central bank chief would be replaced before he had even agreed to go – Mr Gaidar is polite and tactful about everyone, and that includes Mr Ruslan Khasbulatov, the thuggish parliamentary chairman who has taken no such pains when attacking him.

Although still a little clumsy in public, Mr Gaidar is articulate and endowed with a biting sense of humour and a coolly rational mind.

Almost comically dwarfed by the rostrum from which he defended his policies in parliament last week, Mr Gaidar warned deputies that the greatest threat to his reforms was that of panic.

He said that it would be panic to reimpose price controls, loosen credit policy, increase public spending, give in to limitless pay claims and lower taxes at a time when financial stabilisation was a key priority.

With price liberalisation under way, the government is now getting to grips with privatisation and the next stages of financial stabilisation (including a tight budgetary and monetary policy). The government also has to deal with the defence industry's conversion to civilian uses – defence procurement this year is down to 15 per cent of last year's level.

The task is gargantuan, but not hopeless. The Russian people, exhausted by five years of wavering, may well give this government a chance, simply because it is at least taking action.

Mr Gaidar, who leaves his government dacha at 7.30am and gets home from the office at 11.30pm, is putting everything into the job. "I have no news of how my family is doing because I hardly ever see them."

Unlike previous Communist administrations, this government is not only serious about market reforms, but competent and well-advised.

Mr Yeltsin has so far stoically stood by the government he appointed last October. But the Russian government's pleas for massive financial help to achieve results – going behind humanitarian aid which will be discussed in Washington later this week – should not be discarded as in the past. Much of the government's success depends on its ability to keep the population fed with basics such as bread and to cushion it against the worst effects of reform until market mechanisms can begin to take effect.

In contrast to the chaos and back-biting of the previous administration, this government is also refreshing for its unity – the result of Mr Gaidar's insistence that he should bring like-minded colleagues, many of whom are his friends, into office with him.

Their straightforward businesslike approach – "they want to create a relationship of trust with the west," as one diplomat explains – has greatly cheered western interlocutors.

However, they are not without their domestic critics. Reproaching them for their youth and lack of political experience, Vice-President Alexander Rutskoi, an Afghan war hero with no knowledge of economics, recently referred to the cabinet as "little boys in pink shorts".

The problem with Russia, as it tries to switch to market economics after decades of socialist planning, is that its older people tend to have the wrong kind of experience for such an undertaking. It seems to be only the younger generation that can adapt to both new ideas and new methods of work – witness the rise of the young economist, Mr Yavlinsky, to chief Soviet economic strategist after the coup.

Such a generation gap is not new in Russia. Ivan Turgenev, the great Russian writer, captured a similar divide in the 19th century with Fathers and Sons, a novel contrasting the ineffectual older generation – looking for change but tied to the old regime – and young radicals attached to western ideas.

This has produced the striking sight of Mr Yeltsin, the former party boss, shielding with his personal authority a government whose policies he may not understand, but which he has embraced intuitively.

The fear is that he will lose his nerve if these policies cannot show results quickly enough; hence the feverish attempts to make the reforms irreversible.

"The problem is not whether Gaidar lasts – because he will not last – but how long he will last; . . . how long Yeltsin is prepared to give him political support to carry out reforms before he becomes too much of a political liability," says one western diplomat.

"If he lasts until next autumn that will be ideal and enough. I don't think he expects any more."

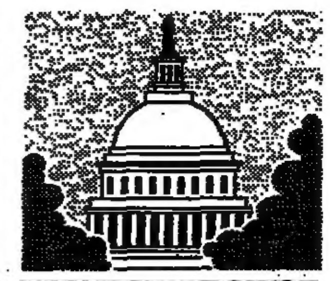
Why has Mr Gaidar taken upon himself this role of sacrificial lamb?

The answer is probably for a mixture of reasons: ambition – for if he succeeds, he will have earned a name for himself in history; conviction – not many economists have had the chance to conduct reforms that they have long known to be necessary; and a dose of patriotism no doubt as well.

PERSONAL FILE

1956 Born in Moscow.
1977 Graduates in economics from Moscow State University.
1987 Economics editor of Kommunist periodical.
1988 Co-authors with Professor Stanislav Shatalin Social and Economic Problems of Perestroika and Economic Reforms.
1990 Economics editor of Pravda.
1991 Director of Economic Policy Institute.
Oct 1991 Appointed Russia's deputy prime minister responsible for economic policy.

The forgotten virtue of saving



MICHAEL PROWSE on America

Campaigning in New Hampshire, President George Bush promised to unveil a long-term growth package in next week's State of the Union address. Judging from subsequent leaks in Washington, however, the reality will fall far short of the rhetoric.

The danger is that Mr Bush will try to buy votes by offering an array of fiscal goodies. The likely menu includes tax relief for first-time home buyers, a tax credit for children or a higher personal exemption, faster depreciation for capital equipment, lower taxes on capital gains and tax credits for medical insurance. Some of this will be offset by proposed cuts in defence spending and the means-testing of some social benefits for higher earners. But the precise details hardly matter, because Mr Bush's budget will be just an opening gambit: a slate on which Congressional Democrats and Republicans will write their demands.

Since most legislators are keener on a fiscal stimulus than Mr Bush, they are likely to reject most of the proposed cuts in spending (at least those outside defence) and press for bigger tax cuts. Unless the economy stages a spectacular recovery in the next few months, which seems highly improbable, a sizeable fiscal stimulus – perhaps \$50bn-\$60bn – appears likely. It will be accompanied by pledges on all sides to cut the \$400bn deficit once the recession is over.

Now indulge in a flight of fancy. Suppose Mr Bush believed his rhetoric. How could he best improve the US's long-run growth prospects? The answer is simple, dull and highly unpopular: by encouraging Americans to save more and spend less; by mounting a frontal attack on the nation's consumerist culture; by excoriating the prevailing "me, now" philosophy.

By far the biggest economic problem facing the US is the abysmally low level of net national savings. Economists calculate this as the sum of household savings, business savings (ie, increases in retained earnings) and federal, state and local budget surpluses. The "net" refers to the deductions needed to allow for depreciation of assets, which counts as negative saving.

Professor John Shoven of Stanford University recently scrutinised the US savings record in a paper for the American Council for Capital Formation, a Washington think tank. He found net national savings were remarkably constant between 1950 and 1980 at 7-8 per cent of national income. But the ratio plunged to less than 4 per cent in the first half of the 1980s and to only 2 per cent by the end of the decade. He attributes about 2 percentage points of the decline to the swollen budget deficits of recent years and the rest to lower savings by households and companies.

There is no international precedent for a collapse of savings on this scale. The UK, for example, enjoyed a comparable consumer boom in the 1980s, but the sharp decline in personal savings was offset (until very recently) by an increase in public savings as the government budget moved into surplus. Between 1980 and 1987, the national savings rate for rich industrialised countries averaged about 9 per cent, while the Japanese savings rate was twice that at nearly 18 per cent.

Looked at another way, net national savings represent the expected growth of national wealth. US wealth is about three times national income. A net savings rate of 2 per cent of gross national product (GNP) thus permits national wealth to grow by only two thirds of a percentage point a year, barely enough to keep pace with US population growth. Indeed, Mr Shoven calculates that real net wealth (or capital) per worker actually fell during the 1980s. It was at the same level in 1990 as in 1976. This collapse in savings – and hence in wealth creation – is a fundamental cause of the US's economic stagnation. It threatens to extinguish the American dream of steadily rising living standards.

If Mr Bush wants to improve the US's long-run prospects, he must raise the national savings rate. This means abandoning all thought of tax cuts: it ought to be obvious that higher borrowing will not solve problems created by years of excessive deficits. Indeed, in an economy with deficit-fatigue, a Keynesian fiscal stimulus is unlikely to spur growth even in the short run.

The best long-term strategy would be to set a goal of increasing net national savings to, say, 10 per cent of national income, or slightly above the average for rich countries. Mr Bush should seek bipartisan support for such a target and for an associated pledge that federal government will do its part to rebuild the nation's savings. How? By striving not merely to reduce the budget deficit but to generate, over time, a sizeable surplus, equivalent to perhaps 2 per cent of GNP. As soon as such a radical pledge became plausible, long-term interest rates would fall sharply, allowing a faster recovery of private investment.

The second plank in a pro-savings policy would be a commitment to radical tax reform. The most striking aspect of US taxation is the minimal reliance on consumption taxes. The US is almost alone in lacking a national value added tax. The introduction of a European-style VAT would enable the federal government to increase taxes almost painlessly (thus moving towards its goal of a budget surplus), while spurring growth by lowering the effective rate of taxation on income and capital.

Perhaps the US should now stop kidding itself and face a hard truth: it can only grow faster in the future if it consumes less of its national income today.

CROSSWORD

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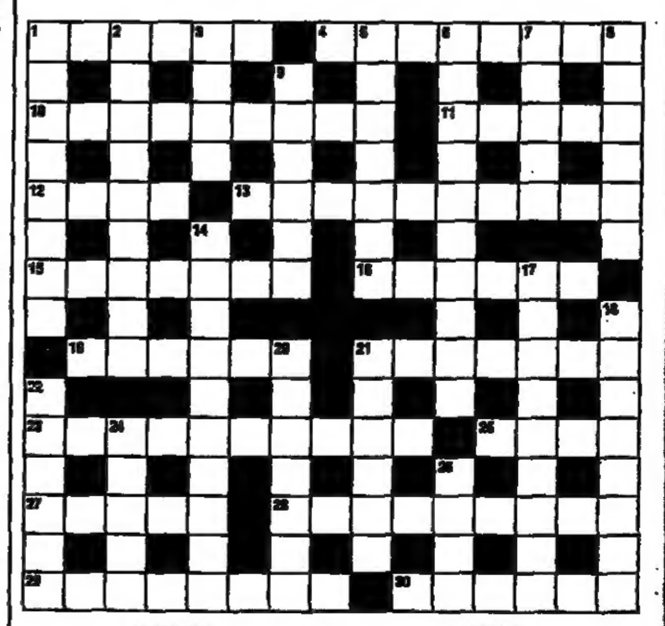

ACROSS

1 and 4 Puts in the cast and makes part of the action? (6,4,4)
10 Announcing control about wine – initially Graves (9)
11 A large number leaving the wood for the river (5)
12 Seen in a line one used for advertising purposes (4)
13 Get a move on and create lace as ordered (10)
15 Hair often is; ear could be (7)
16 Soldiers turning round in play (6)
19 Duke's ground: an insufficient amount? (6)
21 Eg bees buzzing around one to harass (7)
23 Clears up to grab the prize (10)
25 Seaside feature that's contemporary, we hear (4)
27 Liable to misunderstanding in part (5)
28 One tiny Lear upset not in play (2,7)
29 Tree ring produced before Latin festival (8)
30 The navy tucks into meat in the spring (6)

DOWN

1 For local consumption only? (3,5)
2 Ad-lib is to rally outside (8)
3 Crow turns up for clothing (4)
5 Slight contribution to education, eg lecturing (7)
6 The tiles are with the management's compliments (2,3,5)
7 Sign when taking two from the book collection (5)
8 Kerry's duck – out to a well-pitched ball (8)
9 Cut church in spirit (6)
14 The bits needed when the originals wear out (5,5)
17 Is price on slips showing accuracy? (9)
18 The gamble by two chaps is a deception (8)
20 Member of old group to lash out when drunk, say? (7)
21 Tin industry workplace? (6)
22 Company sued crooks for money (6)
24 Supply – as clue always will (6)
25 Material excuse could be (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 1.

A classic Mitterrand strip-tease

IAN DAVIDSON on Europe

Ten days ago, President François Mitterrand of France suggested that the 12 European Community countries should develop a joint doctrine on nuclear weapons. He did not say why they needed a joint nuclear doctrine, and he declined to say what it should consist of. But he declared that this would "very quickly" become a significant issue in the building of a European defence.

This kind of talk, which is both provocative and evasive, challenging but enigmatic, is a classic Mitterrand strip-tease. The president is manifestly suggesting the opening-up of the long-guarded treasure of French national independence in nuclear policy. Yet he makes the suggestion so obliquely and moves on so quickly, that the casual observer is not sure whether the diaphanous veil fluttered aside for a moment or two, nor, if it did, whether what was revealed was worth seeing.

On the face of it, the suggestion is a reckless provocation at the heart of the French body politic. More than 25 years ago, France walked out of the integrated structure of Nato, and for an even longer period it has proclaimed that its nuclear arsenal is independent from those of its allies. This insistence on independence may have played a key role in maintaining popular support for France's nuclear role; it has been a constant feature of the stock-in-trade of all mainline politicians for a generation.

Deliberately to suggest the development of a European nuclear doctrine, therefore, would seem foolhardy and premature. Mr Mitterrand's immediate need is popular support and formal ratification for the Maastricht treaties on economic and political union. These treaties already call for far-reaching shifts of national sovereignty between France and the emerging federal structures in Europe. They do not explicitly require any early change in French nuclear doctrine; so it seems gratuitous to give the national nuclear consensus an extra shake before it is absolutely necessary.

That, at least, was what I thought when I read his speech; it appears I was wrong. Since he spoke, there has been almost no reaction from the political establishment in France. One choleric protest came from Mr Jacques Baumel, an unreconstructed Gaullist politician of the old school; but it turned out that he had misunderstood what President Mitterrand had said. By contrast, Mr Bernard Bosson of the pro-European centrist CDS party, had not misunderstood and warmly approved.

For the rest, President Mitterrand's tease did not stir up France's leading politicians at all – not even the top brass of the Gaullist party. Of course, the Cold War is over, and nuclear deterrence no longer makes the headlines as it once did; so perhaps the French are less sensitive to the question of nuclear independence. Whatever the reason, it looks as though France's national nuclear deterrent may be on its way to being de-sanctified.

This is all to the good. There has long been a deep contradiction at the heart of France's European policy, between the active pursuit of integration in political and economic affairs, and the doctrinaire refusal of integration in defence. The contradiction has become even more stark during the past year, after France (with Germany) openly started pressing the case for a European defence policy, without abandoning the traditional Gaullist rhetoric at home in relation to French national defence.

These Gaullist hang-ups are now being discarded in a fairly systematic way. In November, Nato endorsed the development of a European defence role, through the creation of "integrated and multinational European structures". It was a historic compromise: the US has stopped asking the French to rejoin Nato, and the French have stopped objecting to military integration. That removed the last obstacle to an agreement at Maastricht on the objective of a European defence.

The unresolved question was where French nuclear weapons fitted in with Europe's defence. It is easy to argue, like Mr Jacques Delors, president of the European Commission, that French (and UK) nuclear weapons should be handed over to a strong European federal authority; but such an authority will not exist for decades.

President Mitterrand's proposal, for the development of a European nuclear doctrine, is bolder, because it could start to happen more quickly.

So what does he have in mind? Officials smile and shrug. If Mr Mitterrand has something precise in mind, he must be keeping it to himself. They say his main objective is political, not technical: the central fact is that he has, for the first time, placed the question of French nuclear weapons on the European table.

"The nuclear question is posed," says one. "We need to ask what is the future of nuclear deterrence in Europe, after the dissolution of the Soviet enemy? There is no longer a French taboo. This reinforces the credibility of our approach to European defence; we shall be seeking the reactions of the British and the Germans."

It will take more than a few oblique phrases to wipe out 30 years of Gaullism, however. A senior German diplomat was sceptical: "This is new; but I'm not sure it means a lot. It is hardly likely that Mitterrand will offer to discuss nuclear targeting."

A senior UK diplomat was even more dismissive and smug: "Mitterrand is simply signalling that he is aware of the contradictions in the French position; we do not know if there is anything more behind it. The French have a problem; we do not."

My hunch is that Mr Mitterrand wants to start serious political discussions. The Germans and British therefore need to decide what they think and what they want. Scepticism will not be enough.